



**Date:** June 18, 2025

**To:** Legislative Advisory Commission Members

Senator Erin P. Murphy  
Senate Majority Leader

Senator John Marty, Chair  
Senate Finance Committee

Senator Tou Xiong, Chair  
State and Local Government Committee

Representative Lisa Demuth  
Speaker of the House

Representative Zack Stephenson, Co-Chair  
Ways and Means Committee

Representative Jim Nash, Co-Chair  
State Government Finance and Policy  
Committee

**From:** Erin Campbell, Secretary, Legislative Advisory Commission

EC

**RE:** Legislative Advisory Commission (LAC) Round Robin Recommendation Request, M.S. 3.30

We are requesting a recommendation from the LAC on the following:

**Transfer from the General Fund Contingent Account in FY 2025**

**Amount**

To: Minnesota Management & Budget – State Employee Group Insurance Program (SEGI) Agreement with the Internal Revenue Service	\$2,470,000
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Earlier this year, MMB notified members of the Legislature of a tax compliance issue related to coverage of former spouses of enrolled employees under the State Employee Group Insurance Program (SEGI) medical and dental insurance plans (the Plans). Following past guidance from state insurance regulators, the Plans required continuation of coverage if, at the time of a divorce, the former spouse and one or more children in common were covered by the Plans. These benefits were provided on a pre-tax basis.

MMB determined that those benefits should have been provided on a post-tax basis to comply with federal tax requirements. MMB notified affected employees in February 2025 that March 31 was the last day of former spouse coverage on family medical and dental plans. Coverage of dependent children was not impacted. Effective April 1, MMB offered COBRA continuation coverage to affected former spouses (not paid by the state). Additionally, MMB notified the Internal Revenue Service (IRS) of the issue and filed a Voluntary Closing Agreement Program (VCAP) application with the IRS to address the past tax compliance issues.

MMB has since engaged in discussions with the IRS and is nearing the completion of a closing agreement on behalf of the state. This agreement requires the state to pay an amount equivalent to



what the state should have withheld and remitted to the IRS for Medicare and Social Security tax contributions and income tax for the last three tax years (2022-2024). The total amount due to the IRS will be approximately \$6.8 million, subject to final calculation by the IRS. MMB intends to draw on a variety of sources to make this payment, including: the MMB general fund appropriation, contributions from other state agencies based the number of ex-spouses historically covered, and the available balance within the SEGIP administrative fund. MMB is also requesting \$2.47 million from the state general fund contingent appropriation.

In summary, this requested transfer of \$2,470,000.00 from the General Contingent Account is to pay in part for the MMB Agreement with the Internal Revenue Service.

Separate round robin recommendation signature forms are attached for each individual LAC member to expedite this request. Please review the request within ten days. **If recommendations are not received from all LAC members by June 28, then a meeting of the LAC will be held on June 30.** Please return your signed LAC round robin recommendation form to Dan Hintz, Budget Coordinator, Minnesota Management and Budget, at [Daniel.Hintz@state.mn.us](mailto:Daniel.Hintz@state.mn.us).

If you have any questions, please contact Britta Reitan, Deputy Commissioner, Minnesota Management and Budget, at [Britta.Reitan@state.mn.us](mailto:Britta.Reitan@state.mn.us) or 651-201-8028.

Attachment

cc: Emily Adriaens, House Chief Fiscal Analyst  
Eric Nauman, Senate Lead Fiscal Analyst  
Michelle Yurich, Executive Director, Legislative Coordinating Commission

**Legislative Advisory Commission**  
**Round Robin Recommendation**

As a member of the Legislative Advisory Commission, I do hereby recommend the following:

**Transfer from the General Fund Contingent Account in FY 2025:**

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To: Minnesota Management & Budget – State Employee Group Insurance Program (SEGIP) Agreement with the Internal Revenue Service	\$2,470,000

\_\_\_\_\_ Recommend the transfer be made

\_\_\_\_\_ Recommend the transfer not be made

\_\_\_\_\_  
Senator Erin P. Murphy

\_\_\_\_\_  
Date

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**Round Robin Recommendation**

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Senator John Marty

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Senator Tou Xiong

\_\_\_\_\_  
Date

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**Round Robin Recommendation**

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Representative Lisa Demuth

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Date

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**Round Robin Recommendation**

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Representative Zack Stephenson

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Representative Jim Nash

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Date