

Revised

Fiscal Note

2025-2026 Legislative Session

HF2338 - 0 - Military Pay Mod.; Pension Offset Stipends Est.

Chief Author: **Bjorn Olson**
Committee: **State Government Finance And Policy - Veterans And Military Affairs Division**
Date Completed: **3/25/2025 8:07:36 AM**
Agency: **Military Affairs Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.
Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
Dollars in Thousands					
General Fund	2	2	2	2	2
Total	2	2	2	2	2
Biennial Total			4		4

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	-	-	-
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

This fiscal note was revised to correct the front tables, accounting for the dollars being in thousands.

LBO Signature: Alyssa Holterman Rosas **Date:** 3/25/2025 8:07:36 AM
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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
General Fund		2	2	2	2	2
Total		2	2	2	2	2
Biennial Total				4		4
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund		2	2	2	2	2
Total		2	2	2	2	2
Biennial Total				4		4
2 - Revenues, Transfers In*						
General Fund		-	-	-	-	-
Total		-	-	-	-	-
Biennial Total				-		-

Bill Description

H.F. 2338 (Olson):

A bill for an act
relating to military affairs; modifying certain pay and allowances; establishing
pension offset stipends

Sec. 3.

Minnesota Statutes 2024, section 192.49, is amended by adding a subdivision to
read:

Subd. 2a.

Pension offset stipend.

The adjutant general is authorized to pay service
members ordered into state active service a stipend equivalent to five percent of basic pay
for the period of duty to compensate the service member for pension inequity compared to
similar federal service.

Assumptions

Most Minnesota National Guard State Active Duty (SAD) (state active service) is reimbursed under two different
arrangements. When reimbursed for SAD, there is minimal cost to the State of Minnesota as the result of this bill:

- Service reimbursed under Emergency Management Assistance Compact (EMAC), has no costs to the state under this bill. Minnesota is fully reimbursed for all costs as an "assisting" state to a state that requests services from Minnesota. Recent examples of EMAC service include Minnesota's assistance to the State of North Carolina for Hurricane Helene recovery, and to the State of Wisconsin for security assistance at the Republican National Convention (a National Special Security Event).
- Service reimbursed by the Federal Emergency Management Agency (FEMA) under the Stafford Act. When presidential emergency declarations are made, the state is reimbursed between 75% and 100% of all personnel costs including the pension offset established by this bill. Recent examples include: the COVID-19 pandemic which was reimbursed at 100%; and the floods in Southern Minnesota during the summer of 2024 which were reimbursed at 75%.

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Small Minnesota National Guard activations that do not rise to the level of a presidential disaster would be covered by the State of Minnesota. The six year historical average is represented in line 3.1 Expenditures as the potential future outlay.

Examples in which the State of Minnesota would have a financial impact:

- Small flooding events that do not rise to the level of a federal disaster. An example would be the flooding that occurs on an annual basis in the Red River Valley. There were historic floods in the late 2000s and early 2010s, but flooding impact has been mitigated to a great extent.
- Snow/Ice/Wind storms that do not rise to the level of a federal disaster. These events are usually very short in nature, require the use of facilities only and/or a small amount of service members.

Quantitative historical examples by year:

Year - EO - Mission Type - Payroll \$ Amount - 5% Pension Offset Cost

Year	EO*	Mission Type	Payroll Amount	5% Offset
2021	21-29	Wildfire Suppression	\$34,732.97	\$1,736.65
2022	22-02	Federal Trial Security	\$7,457.50	\$372.88
2022	22-08	Flood Support	\$36,358.18	\$1,817.91
2023	23-02	Winter Storm Response	\$4,049.08 \$202.45	\$202.45
2024	24-04	Search and Rescue Operations	\$2,374.05	\$ 118.70
2024	24-05	Flood Response	\$57,957.63	\$2,897.88
2025	25-02	Sheltering Assistance	\$1,994.52	\$99.73

*Executive Order

Expenditure and/or Revenue Formula

Base pay is established by the Department of Defense based upon the Service Members pay grade and length of service:

<https://www.dfas.mil/militarymembers/payentitlements/Pay-Tables/>

Base pay (determined by day for SAD) would be multiplied by 5% to calculate the pension offset described in H.F. 2338.

Example:

A Sergeant (E-5) with 12 years of service earns \$4,259.70 per month or \$141.99 per day. If that service member would serve for seven days, their base pay would be \$993.93 (141.99 x 7). The pension offset of 5% for the seven days of service would be \$49.70; increasing the total pay to \$1,043.63.

Long-Term Fiscal Considerations

None.

Local Fiscal Impact

None.

References/Sources

Minnesota Statute 192.49 (Pay and Allowances)

www.dfas.mil/militarymembers/payentitlements/Pay-Tables/

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