

CAPITOL UPDATE



Special Session Update from the Minnesota Senate Republicans ■ July 2011

Gov. Dayton drops tax demands to end 20-day government shutdown

After the longest state shutdown in recent U.S. history, and a refusal to call a "lights-on" session to bring 22,000 state employees back to work, Gov. Mark Dayton gave up his calls for tax increases and returned to a June 30 GOP budget agreement, adding several conditions such as a \$500 million construction bonding bill. After discussions with the Governor, Republican agreed, and a final package of bills that will not raise taxes, but do make targeted reductions in eight budget areas and slow the exponential growth of state spending became law July 20.

BUDGET RECAP

APPROVED Budget Agreement
FY 2012 – 2013:
\$34.3 billion

Senate Proposed Budget Spending
FY 2012 – 2013:
\$34 billion

Gov. Dayton's Budget Plan
FY 2012 – 2013: \$37 billion

Forecast Spending for
FY 2012 – 2013: \$39 billion

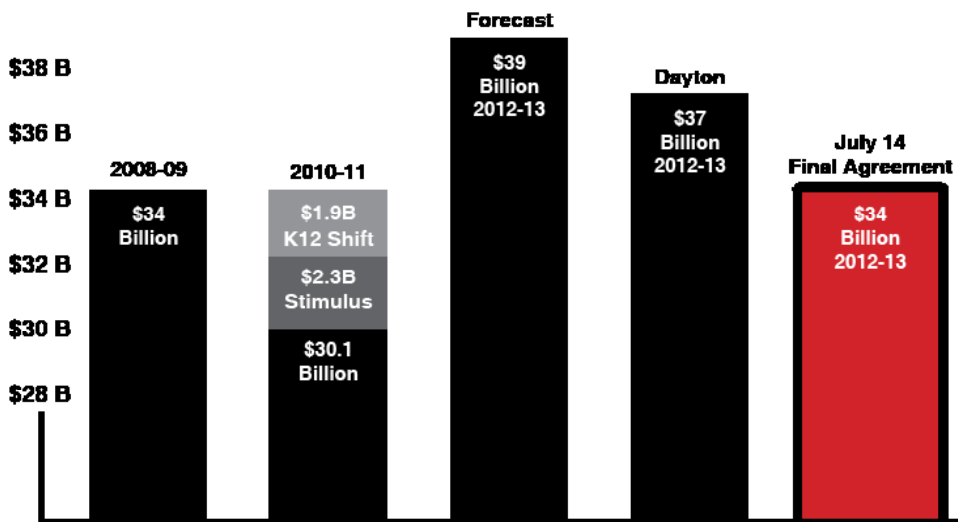
FY2010 – 2011 Budget (Adjusted):
\$34.6 billion
(with stimulus & education shifts)

TAXES

Republicans beat back every attempt to raise job-killing tax increases. Governor Mark Dayton started the session with a \$4.1 billion tax increase that would have made Minnesota an outlier in economic competitiveness, job creation and business development. This tax bill provides direct tax relief to homeowners, farms and small businesses, sales tax exemption for townships, sales tax exemption for public safety water, minimizes cuts to local government aid, and provides tax incentives for job creation.

HEALTH & HUMAN SERVICES

The HHS bill significantly reforms the way public health care is carried out in Minnesota, establishes a public health care system that is affordable and sustainable, and limits the growth of public health care. At the same time, it recognizes the ability of everyone, even low income Minnesotans, to make decisions



Source: MMB Produced by MN House GOP

Reforms of the 2011 Session

- Republicans made reforms that resulted in **long-term structural cost savings** a priority this session.
- Each finance area of the budget has reforms that will improve **service delivery and results**.
- Major fiscal reforms such as repealing the health care provider tax will result in a **cost savings of \$10 billion over 10 years**.
- A Republican bonding bill will meet statewide and regional criteria, with a focus on **long-term needs**, not short-term wants, and focused on **flood relief, roads and infrastructure**.
- **Republicans balanced a \$5 billion deficit without raising taxes.** By contrast, Governor Dayton's initial \$3.35 billion tax increase, and subsequent proposals sought to impose the 2nd highest income tax rate in the country.
- In the FY2012-13 spending picture: forecast spending started at \$39 billion; Gov. Dayton's budget originally proposed \$37 billion; Legislative Republicans ultimately brought that figure down to \$34.3 billion in General Fund spending.

about their own health care. The bill preserves funding for the elderly and the disabled, while reaching the target of \$1.049 billion. There is an overall increase of \$26 million in nursing home funding. Although this is partially due to more people moving to nursing facilities because of a lack of waived services, there aren't other major areas of the HHS budget receiving an increase. One of the most significant components of the Health and Human Services budget agreement is the overall FY 14-15 future spending obligations (tails) reduction. Tails spending was reduced from a projected 10.6 percent increase to a significantly lower 4.8 percent increase. Total tails reduction equal \$1.82 billion from the General Fund. Other significant reforms include the repeal of the provider tax and prevention of welfare fraud by strengthening welfare eligibility requirements and placing greater restrictions on the use of EBT cards. The bill also provides flexibility to ensure effective, quality, accessible health care.

STATE GOVERNMENT

Although strong attempts were made to block Republicans' government reforms, the reforms Republicans did achieve this session lay the foundation for long-term costs savings and start to change how state government operates and delivers services, including a pay-for-performance pilot project, required performance reviews of state employees and audits, cost-saving reward programs, and consolidation of services. The state will also work with the federal government for greater debt collection, and with private agencies for efficiency detection, and require contract business to verify citizenship through the E-verify service.

HIGHER EDUCATION

The Higher Education bill includes reforms that will require the U of M and MnSCU institutions to meet performance benchmarks before they can receive a portion of their funding. It increases funding for work study, and made no reductions to the need-based state grant program and post-secondary child care grants.

EDUCATION

Given the new funding being provided to education, Republican legislators insisted on several reform measures in order to do more than "business as usual." In spite of the Governor's deference to the teacher unions and the Twin Cities school districts, solid reforms prevailed, including mandate relief sought by school district and school administrator associations -- repeal of the contract settlement deadline and penalty, the repeal of the safe schools levy maintenance of effort restriction, and a two-year extension of the relief from requiring local districts to spend two percent of their basic revenue on staff development. Integration Revenue will end after FY 2013, and new Literacy Incentive Aid and increased investment in the MN Reading Corps, will require school districts to "earn" these funds through student reading test scores in the early elementary. Early Graduation Scholarships will allow students who are academically capable and hard-working to complete their high school education early and

to take the funds that would have been spent on them for additional schooling to the college of their choice. In the case of teachers, student test scores must be connected the rating of the teacher.

JOBS/ECONOMIC DEVELOPMENT

Reform is created in the area of economic development area with the creation of competitive grants rather than the bureaucratic process of pass-through grants (legislative earmarking), with start-up capital directed toward small businesses.

ENVIRONMENT, ENERGY & COMMERCE

The Environment Finance bill provides funds priorities without any fee or tax increases. It addresses critical issues including aquatic invasive species and chronic waste disease, as well as provides budget flexibility to maintain Minnesota's strong tradition of outdoor heritage. Reforms include changes that force state agencies to review water management to streamline and consolidate water programs, and a reform of the state tree nursery program and takes them out of competition with the private sector.

JUDICIARY/PUBLIC SAFETY

During tough budget times we have to make core services like courts and public safety a priority. In this bill, we were able to accomplish reforms such as allowing judges to consider a person's entire financial picture and require appropriate payment for these services as clients are able to pay, requiring a co-pay for prison inmate initiated health care, allowing counties to reimburse costs of medical services to local prisoners at the medical assistance rate rather than the negotiated provider rate, and prioritizing the use of state funds on state cases over federal cases.

TRANSPORTATION

A fiscally responsible transportation bill focused on preserving current systems and putting the brakes on light rail expansion the state cannot afford to build or operate, this bill requires transit corridor development planners to provide the total cost of proposed transit systems, including both capital and long-term operating expenses.

BONDING

Although a demand of the Governor to end the state shutdown, the Republican-written bonding bill met statewide and regional criteria, stressing long-term needs, not short-term wants, and was focused on flood relief, roads and infrastructure. No funding went toward conventions centers or stadiums, while most went toward asset preservation, roads and bridges, Reinvest in Minnesota, and flood hazard mitigation.

For detailed information on these bills:
www.senate.mn/2011_first_special_session_bills/index.php