



State Senator **Terri Bonoff**

*Capitol Update #9
March 4, 2011*

February Forecast Reduces Deficit by \$1.2 Billion

On Monday, state economists released an updated economic forecast that shows the state's projected 2012-2013 budget deficit is about \$1.2 billion less than predicted in November 2010. A \$5 billion shortfall now remains for the two-year budget cycle that begins July 1.

Most of the improvement is a result of forecasted higher-than-expected revenue collections in Minnesota as a result of the action taken at the Federal level on Capital Gains income. Capital gains taxes were to increase from 15% to 19% but the extension of the Bush tax cuts that President Obama agreed to kept this from happening. This resulted in a windfall of sorts for Minnesota. In addition, stimulus measures such as a reduction in the payroll tax are sparking increased economic activity.

This information signals Minnesota's economy is experiencing a fragile recovery, but the remaining \$5 billion problem still represents a tremendous budget challenge. State Economist Tom Stinson, who has served under Republican and Democrat administrations, stated that a balanced approach that uses spending cuts and new revenue is the best budget solution for Minnesota. He said an all-cuts budget would be more damaging to the state's economy than a solution that relies upon cuts as well as new revenue.

Based on the new forecast, Governor Dayton revised his budget plan, removing the temporary income tax surcharge on the state's wealthiest residents, restoring some of the proposed funding cuts to the state's nursing homes, and offering targeted job-creation incentives to Minnesota businesses.

Environmental Permitting Bill Becomes Law

As discussed in previous updates, Governor Dayton signed an executive order several weeks ago to reform State Agencies in an effort to "move at the speed of commerce" and spur businesses into action to create jobs. His order called on the commissioners of the Department of Natural Resources (DNR) and the Pollution Control Agency (PCA) to accelerate and simplify their environmental review and permitting processes.

The legislature followed by passing a bill with broader changes. The legislation was signed into law this week by the Governor. It directs the DNR and the PCA to establish a goal of 150 days for the agencies to issue environmental and resource management permits. They will also notify the project proposer within 30 days of application of any deficiencies in the application. The governor said in his signing letter that too many possible business expansions have been delayed unnecessarily in recent years.

CAPITOL UPDATE

State Senator Terri Bonoff - District 43

While he expressed some concern regarding a provision in the bill that allows the environmental assessment to be done by an outside consultant hired by the business seeking the permit, the responsibility for determining accuracy ultimately falls on the responsible government unit. The pollution control agency has given assurance that they have the staff and expertise necessary to ensure the veracity of the final products. I am hopeful that this change in law will allow new projects to move forward quickly and assist our state's fragile economic recovery.

Alternative Teacher Licensure Bill Passes; Headed for Governor's Signature

The Minnesota Senate approved an alternative teacher preparation program this week on a vote of 46 -19. The language, crafted in a House-Senate conference committee earlier in the week, was also passed by the House and will now be sent to the Governor where he will sign the bill at an official signing ceremony this coming Monday at 9:30 am.



It was such an honor to be part of this legislative process, joined by so many community leaders advocating for an initiative that we believe will serve the best interests of Minnesota children.

Many alternative preparation programs are specifically focused on raising the level of achievement of at-risk children in under-served communities. This bill, once law, will establish a pathway for these programs to operate in our state and share not only the talents and skills of these new teachers with our children, but also the best practices of these alternative programs with our state's teaching colleges. Our state and nation face a multitude of challenges. The good work done on this issue is a strong example of what will be required to move forward, that is an open mind to new approaches, a willingness to sit down at the table and work toward consensus, and a commitment to find a workable solution despite the distance between positions.

Sales Tax Bill Debated

This week the Senate Tax Committee debated a bill which would require all internet retailers to pay sales tax in Minnesota. The bill is sponsored by the Tax Committee chair, Julianne Ortman (R-Chanhassen), and is also part of Governor Dayton's budget plan.

If approved, the bill would make out-of-state companies that have sales affiliates in Minnesota collect and remit sales tax on purchases originating in Minnesota. Currently, purchases made through online companies like Amazon.com, but which ultimately come from a Minnesota-based sales affiliate, are exempt from sales tax.

CAPITOL UPDATE

State Senator Terri Bonoff - District 43

Supporters say this is a loophole and that the proposed change would simply modernize our tax laws for a 21st century marketplace. Best Buy and other Minnesota-based companies testified in support of the change, calling the current law an unfair advantage for out-of-state businesses. Representatives from Amazon testified against the bill and said that in some of the other states where this policy has been adopted they have severed ties with the local affiliates. In the past, they've also said that they will pull out of Minnesota if similar bills were approved.

During the meeting, committee members generally supported the proposal but the bill was laid on the table and no vote was taken. While I am not on the tax committee and so have not yet heard the testimony, I think this initiative also raises the question with regard to which goods are subject to sales tax in Minnesota and which are not.

Sincerely,



State Senator

Terri Bonoff

133 State Office Building, St. Paul MN 55155
651-296-4314 sen.terri.bonoff@senate.mn



For a full and updated list of the status of all Senate bills go to:

www.senate.mn