



State Senator Terri Bonoff

*2011 Special Session Recap
July 21, 2011*

Government Shutdown Ends

After a Special Session on Tuesday that lasted late into the night, Governor Dayton signed all major budget bills into law, ending the state government shutdown. As previously reported, the Governor accepted the June 30th Republican budget offer to close the remaining gap in negotiations by increasing the school funding shift by \$700 million and issuing \$640 million in bonds on future tobacco settlement payments. This increases our debt by roughly \$1.4 billion at a time when we all understand how important it is for fiscal stability to lower our overall debt burden. I was hopeful that we would be able to come together around a compromise solution that would leave us on stronger financial footing in the future. I welcome a resolution to this government shutdown, but I am disappointed that a path of borrowing such as this is being taken.

While I did not support the funding source and strongly oppose further borrowing from our schools, it was clear as I reviewed these budget bills that the additional \$1.4 billion in revenue for the biennium helped mitigate much of the painful cuts that had been proposed. Below I will summarize many of the notable changes from previously-discussed budget bills and highlight some reforms that were included in the final compromise agreement.

Education

Education Shift: The K-12 funding “shift” (delaying payments to schools) is now set at 60/40, the most dramatic in state history. This means that \$2.1 billion in school aid will be delayed and used to fill almost half the budget gap.

Early Childhood Education Scholarships: \$4 million is appropriated for early childhood scholarships to be used in high-quality public or private early childhood education programs.

Special Education: The proposed cap on special education funding was eliminated. This funding goes to schools to pay mandated special education costs.

Integration Aid: Cuts to Minneapolis, St. Paul and Duluth districts were eliminated in the negotiated deal. Integration funding will remain the same for two years (\$105 million). After that time, a pool of money for desegregation aid is reserved and a two-year restructuring process and task force will be appointed to work on Integration Policy/Aid reforms.

Teacher and Principal Evaluation: Requires locally-developed teacher assessments that are at least 35% based on student growth scores. The Commissioner of Education and two statewide school principal organizations are charged with designing a school principal evaluation model. Other controversial collective bargaining proposals were not included in the bill.

CAPITOL UPDATE

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Literacy program: I am so pleased to report the innovative program championed by Sen. Olson was included in the bill. This program provides financial incentives designed to promote literacy by grade three.

While I believe the policy and the direction of the education bill was one of the strongest I have seen, I voted against the bill because of my concerns around increased borrowing from our schools.

Economic Development

MN Investment and Redevelopment Funds: These programs to promote job creation and business expansion were proposed to receive no additional funding in the biennium. \$5 million was appropriated to these funds as a result of the new compromise budget agreement. If these funds do not result in actual economic growth that can be measured, I believe we must discontinue the funding. We cannot afford to fund things unless they have proven return on investment.

Competitive Grant Process: A competitive grant process is established to provide oversight and ensure the value of economic development grants being awarded by the state.

Taxes

Tobacco Bonds: The bill includes authority for either appropriation bonds to be sold or tobacco payments to be securitized in the amount of \$640 million. These are revenues derived from the tobacco settlement agreement in 1998. This will not only add to future deficits but comes with substantial borrowing costs. \$640 million can be booked now, but it will come at a cost of anywhere from \$980 million to \$1.13 billion over the long term.

Science and Technology Authority: \$500,000 is appropriated for the biennium to the S&T authority to stimulate investment in new high-tech companies and products. I authored this legislation and was pleased to see it signed into law. I did make certain language was included that guarantees a return on investment and in some cases requires companies to repay the money if they are awarded grants and then do not remain in Minnesota.

Market Value Homestead Credit: This credit is converted to a market value exclusion, reducing the burden on local cities and providing some direct property tax relief to homeowners.

Political Contribution Refund Program: Suspended until July 1, 2013.

Twins Stadium Sales Tax: The Hennepin County sales tax that was imposed to pay for the construction of the Twins Stadium must expire after the bonds are paid off.

Renter's Credit: Renter's Credit is reduced by \$26 million over the biennium. This should result in a roughly \$100 reduction in the average renter's yearly refund.

I voted against the tax bill because of the increased borrowing included in the bill from the sale of tobacco bonds. This revenue was intended to support the health and well-being of Minnesota citizens and to offset state costs from the health effects of smoking. It was not intended to be used to supplement general fund spending.

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Health and Human Services

Defined Contribution Plan for Childless Adults: Minnesotans with incomes greater than \$22,000 a year (single) or \$29,000 a year (married) who are on MinnesotaCare will be enrolled in a new state subsidy program. These individuals can use vouchers to purchase a high-deductible private insurance plan; this will affect about 7,000 Minnesotans.

Child Care Assistance and CCSA: Child care assistance for low-income working Minnesotans is cut by \$20 million, and Children and Community Services Act (CSSA) grants, used by counties to protect children from abuse and neglect, are cut by \$22 million.

Welfare/EBT Cards: Minnesota Family Investment Program recipients are restricted from using cash assistance to purchase alcohol and tobacco, with violators dis-enrolled from the program. A new task force is created to develop new policies to prevent abuse of cash assistance programs.

PCA Care Cut: Rates for PCA relatives are reduced by 20% when the PCA is a parent, sibling over the age of 16, or adult child or grandchild. Other personal care attendant cuts were avoided by the additional revenue in the compromise agreement.

Family Planning: Cuts to women's primary health care services (family planning) and restrictions that penalize Planned Parenthood were removed.

Stem Cell Research: All provisions affecting stem cell research were removed.

Provider Tax: The provider tax is repealed December 31, 2019.

I voted against the Health and Human Services budget bill because of my concerns around moving part of our MinnesotaCare population onto private market insurance plans. These plans generally have deductibles of several thousand dollars. It is unrealistic, in my opinion, to expect those making \$20,000 a year to be able to afford care under such a plan. It seems more likely that they will choose not to seek medical treatment until an emergency develops. In addition, many will not be able to get insurance in the open market because of pre-existing conditions, so they will be forced to go to the higher cost MCHA program. Ultimately, this places the cost of care disproportionately on small businesses and the general population.

State Government

Pay for Performance: This program allows the state to issue bonds to pay non-profits that are able to demonstrate cost savings to the state through effective delivery of services such as job training or addiction treatment. A pilot program is included with \$10 million in bonds authorized. I was a co-author of this bill and think it is a very innovative, forward-looking program.

IT Consolidation: Information Technology services from various state departments and agencies will be consolidated to save money, improve efficiency and lay the groundwork for further structural reform. I was chief author of this bill in the Senate.

Sunset Advisory Commission: The Minnesota Sunset Advisory Commission of 12 members will be formed – 5 Senators, 5 Representatives, and two members of the public – to review all agencies, commissions and other functions of state government and make recommendations as to their continuation.

Tax Analytics: Language was agreed upon to allow the Department of Revenue to further explore tax analytics. The Commissioner of Revenue believes about \$82.3 million can be captured in 2012-2013.

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I voted for this bill and think significant reforms that are part of this will go a long way toward reducing the cost of service delivery while enhancing quality.

Transportation

Metro Transit: Metro Transit bus service is cut by \$51.702 million in FY 12-13 which represents a 40% cut to the base. Suburban transit reserves are being used to partially backfill this cut.

Better Roads Program: \$127 million is appropriated for the Better Roads Program. These dollars will be used to improve pavement and expand MnPASS.

Congestion and Economic Development: MnDOT may transfer up to \$20 million from the Trunk Highway Fund to the Economic Development Account to fund projects that will promote economic development and reduce congestion.

I voted against the Transportation budget bill because of the deep cuts to metro transit and the use of reserve funds from our suburban transit providers to balance the transportation budget. We cannot afford to disinvest in transit, as our economic competitiveness depends in part on our ability to have a world class, multi-modal transportation system.

Public Safety and Judiciary

Judiciary and Public Safety Cuts: New revenue helped reduce proposed cuts from \$1 million to \$500,000 for the Bureau of Criminal Apprehension, from \$4 to \$1.6 million for Civil Legal Services, and from \$1.5 million to \$600,000 for the Guardian ad litem program.

Crime Prevention Grants/Battered Women Programs: Initial budgets cut Battered Women programs by \$1.9 million and eliminated Crime Prevention Grants by cutting \$3.196 million, but these were averted in the compromise budget deal.

Department of Human Rights: The Department of Human Rights cut was significantly reduced from 65% to 5%, and all restrictive rider language and policy provisions limiting their work were removed.

Sexually Exploited Youth bill: This language provides that a juvenile under the age of 16 cannot be prosecuted for committing a prostitution offense (as a prostitute) under the delinquency code. These juveniles and others would fall under the definition of "sexually exploited youth" as a child in need of protection or services. It also directs DPS to develop a statewide victim service model for sexually exploited youth, if funded.

I voted for this bill.

Higher Education

Budget Reductions: Proposed budget cuts were reduced for the U of M from \$243 to \$193 million and for the MnSCU system from \$179 to \$169 million.

Tuition Caps: The legislation caps tuition (for MN undergraduate student residents) increases at MnSCU state colleges at four percent for the 2012 fiscal year. There are no caps for the U of M or MnSCU 2-year colleges.

Credit Transfer within MnSCU: The legislation calls for MnSCU to report on the progress of their "Smart Transfer Plan." They are also asked to provide information about the number of

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students transferring between and among the two and four-year institutions as well as a study of mechanisms for effective transfers in other states.

Human Cloning: There is no language prohibiting the use of state and federal dollars for cloning research in this legislation, as was previously included.

I voted against the Higher Education budget bill because I felt we were not placing a high-enough emphasis on the U of M as an economic engine for the future growth of our state.

Environment and Natural Resources

Budget Reductions: Proposed budget cuts were reduced for the Pollution Control Agency from \$11.3 to \$6.8 million, for the DNR from \$39 to \$30 million, and for the Board of Water and Soil Resources from \$7.3 to \$2.8 million.

Water Resources Management: The governor stated that the previously-proposed \$6 million (29.1%) cut would, “negatively impact the Department’s ability to support critical water management activities, including dam safety, shoreland management, climatology, ground water monitoring, flood programs and damage reduction efforts.” This legislation reduces the cut to a more manageable \$1.9 million (9.2%) reduction.

Commerce and Energy

Fund Transfers: Fund Transfers were reduced in the legislation from \$33.2 million to \$13.7 million. This bill does not transfer unused balances from special revenue funds. The previously-vetoed bill included transfers from: license technology surcharge account (\$560,000), insurance fraud prevention account (\$950,000), automobile theft prevention account (\$1.5 million), and the real estate education research and recovery fund (\$450,000).

Unclaimed Property: Five additional employees will be added to allow the Department to audit businesses to check for non-compliance. There is a provision that allows the Department to contract out the positions rather than hire permanent full-time employees. The positions sunset June 30, 2015 and the Department of Commerce projects they could capture an additional \$3 million in unclaimed funds.

Financial Institutions: \$700,000 is appropriated to the financial examinations department with no net cost to the General Fund. Currently, one-third of Minnesota banks or credit unions are on the “watch list,” which means the banks are at risk of failing. The watch lists have grown and the additional financial examiners’ positions will address the problems associated with bank failures.

Coal Moratorium: Language allowing up to 1,500 megawatts of new coal-fired electric power was removed from the bill.

The above areas were combined in one bill and I voted for it.

In addition to these budget bills, a pensions bill was passed that merges several pension funds and reduces some benefits in order to provide stability and long-term solvency. A bonding bill was also passed as part the final budget agreement to get more Minnesotans working at a time of low interest rates and to address a backlog of road and infrastructure projects.

In summary, the silver lining to this prolonged shutdown and this fiscally irresponsible borrowing is that we have now a budget that for the most part reflects the values and priorities of most Minnesotans. We have protected the most vulnerable, used strategically placed cuts to reduce spending, and most importantly enacted significant organizational and structural reforms to put us on a strong path going forward. Personally, I have championed and worked on some of these

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reforms for many years, so being able to participate in a bi-partisan process to turn these ideas into law has been rewarding. I will report back to you as we see the results from these changes. I pledge to you that, in my role as a Senator, I will work to ensure taxpayer dollars deliver the intended value. We must harness the power and creativity that our technological age provides while leveraging the wisdom that comes from working as a team in a bi-partisan way, so that our dollars are used for the best and highest purpose.

Thank you again for the privilege of serving you in the Minnesota State Senate.

Sincerely,



Senator Terri Bonoff



State Senator

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

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