



STATE OF MINNESOTA

Office of Governor Mark Dayton

130 State Capitol ♦ 75 Rev. Dr. Martin Luther King Jr. Boulevard ♦ Saint Paul, MN 55155

March 13, 2017

The Honorable Kurt Daudt
Speaker of the House of Representatives
Room 463, State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155

The Honorable Paul Gazelka
Majority Leader of the Senate
Room 3113, Minnesota Senate Bldg.
95 University Ave. West
St. Paul, MN 55155

Dear Speaker Daudt and Majority Leader Gazelka:

As we near the half-way point in this Session, and you begin to release your Committee targets and omnibus budget bills, I want to provide you with additional details regarding my priorities for a timely biennial budget resolution and a successful conclusion to the Session.

Thank you for setting deadlines that will require you to pass your omnibus budget bills out of committee by March 31, 2017. Those deadlines provide ample time to negotiate biennial budget bills to which we can all agree. **To that end, I request that we set joint conference committee targets no later than Friday, April 28, 2017.** That is two weeks after the Legislature returns from the spring recess and leaves more than three weeks to negotiate the details of the omnibus budget bills before your deadline to adjourn.

I understand that we will approach the biennial budget with different priorities. Below are principles and expectations that I will bring forward as we negotiate.

Since 2011, my Administration has worked hard to make state government work better for the people of Minnesota. And we have been successful. We turned a projected \$6 billion deficit into eight-straight forecasted surpluses by raising income taxes only on the wealthiest 2 percent of our citizens and on smokers - cutting taxes for many others, and supporting a sustained economic recovery. We paid back all of the \$2.8 billion debt owed to our schools and eliminated other budget shifts and gimmicks. We restored our AAA bond rating.

Our success has been recognized by numerous national experts. Just last month, U.S. News and World Reported named Minnesota the third-best state. Last year, USA Today reported that Minnesota was named the second-best run state in the nation. And in 2016, CNBC named Minnesota the fourth-best state for business, after ranking us number one for the first time ever in 2015. These national accolades, among others, demonstrate that we are doing many things right.

At the same time, our state is facing increasing needs for financial assistance and services from a growing, changing, and aging population. As the numbers of children, seniors, and people with disabilities increase, it is unavoidable that the State's obligations for the educations and care of those Minnesotans would increase. As you know, 90 percent of General Fund and Health Care Access Fund spending is for payments to schools, local governments, and individuals in need.

I believe it is imperative that we continue to make those expenditures, which directly benefit our citizens, and also to fund state government adequately to provide its essential services. Fortunately, we have established a stable budget surplus, which was recently increased to a projected \$1.65 billion for the next biennium and \$2.1 billion for the following biennium. Those surpluses provide sufficient resources to address your budget priorities, as well as mine. If you were to respect my priorities, I would respect yours.

However, I have received indications that, unfortunately, your budgets will take a very adversarial approach to mine, even including significant reductions in the funding I have proposed for state agencies and their services to our citizens.

Six years ago, the Republican majorities in the House and Senate took that approach. In the face of a projected \$6 billion deficit, some painful spending cuts were unavoidable. This year, however, the State's fiscal situation is very different, with strong surpluses projected instead of gargantuan deficits. There is no rational reason to cut agency budgets in the face of the increased needs of our citizens.

However, if you are going to propose spending reductions, I will not accept an arbitrary 10% across-the-board reduction. I insist that any budget reductions you propose explain clearly the programs and services that you wish to cut. In other words, state specifically what you want state government NOT to do.

In my budget, I have proposed \$300 million in tax cuts targeted to middle-income families, farmers, and others with special needs, and local government aid. Again, I have received indications that your tax cut proposals will greatly exceed that amount. We currently have a structurally balanced budget where revenues will support our continuing to be one of the very best, and best-run, states in the nation.

We must not squander this hard-earned fiscal security. I will not consign our state to another decade of deficits after I leave office. My tax proposals reduce taxes for 450,000 Minnesotans, yet maintain our structural balance for the next two bienniums. I will hold your tax bills to this standard.

In addition, I strongly disagree with providing tax breaks for our state's wealthiest and corporations at the expense of working Minnesotans and families most in need. While businesses continue to see record profits, many families are just beginning to feel the effects of our state's improving economy. Their economic futures remain uncertain, so tax relief should

prioritize stabilizing family budgets through the Working Family Credit or Child and Dependent Care Credit.

Finally, I strongly oppose including policy language unrelated to the budget in omnibus budget bills. Those items should travel in omnibus policy bills or as stand-alone bills. I am willing to debate policy proposals with you on their own merits, but I will not trade controversial policy items for spending necessary to provide critical services for the people of Minnesota. If you insert those policy provisions into budget bills in an attempt to force me to accept them, you will create the same impasse, which caused the state government shutdown in 2011. Indeed, one of the agreements critical to ending that 2011 shutdown was to remove policy items from the final budget bills.

I have often said that the definition of compromise is agreeing to things you do not agree with. Minnesotans have elected me, a Democrat, as their Governor, and your Republican majorities to the Legislature for the next two years. It is up to us to demonstrate that we can work together to resolve our differences in the best interests of all Minnesotans.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Dayton". The signature is stylized and cursive.

Mark Dayton
Governor

cc: Senator Tom Bakk, Minority Leader
Representative Melissa Hortman, Minority Leader