

**PUTTING A REASONABLE NUMBER ON BUDGET SAVINGS CAUSED BY
THE UNIFIED HOUSE REPUBLICAN CAUCUS**

1. At a minimum, a fair number would be \$4.24 billion. That would equal over \$1,900 for each of the 2.2 million payers of income taxes in Minnesota.

a. Line-item vetoes in Health and Welfare Bill	\$ 18,803,000
b. Line-item vetoes in E-12 Education Bill	\$ 5,475,000
c. Line-item vetoes in Economic Development Bill	\$ 5,150,000
d. Line-item vetoes in Environment and Energy Bill	\$ 1,405,000
e. Line-item vetoes in Agriculture Bill	\$ 1,350,000
f. Line-item vetoes in Higher Education Bill	\$ 250,000
g. Line-item veto in "Lights On" Transportation Bill	\$ 200,000
h. Line-item vetoes in State Agency Bill	<u>\$ 80,000</u>
Subtotal on line-item vetoes	\$ 32,713,000
i. Full veto of State-wide School Insurance Pool	\$ 4,000,000
j. Veto of that portion of bonding bill above Governor's plan	\$ 263,167,000
k. Difference in 08-09 spending between sustained veto of the first Transportation Bill (gas tax, sales tax, tab fees, and "car ownership" or "wheelage" tax) and the "Lights On" Transportation Bill (after line-item veto is deducted)	<u>\$3,940,798,000</u>
TOTAL	\$4,240,678,000

It could be argued that the Governor might have signed a transportation package that fell somewhere between the \$4.18 billion "gas tax" bill and the \$249 million "lights on" bill which he signed after issuing a line-item veto. The "lights on" bill maintained spending levels for the Department of Transportation at "bare bones" levels, plus \$4 million to maintain the State Patrol academy for the next class.

For example, House Republicans repeatedly pushed for a "no tax" plan that would have shifted some fees and used one-time money from the surplus to leverage \$1.7 billion of bonds for road projects, and given \$250 million for roads and bridges to counties (which cannot receive trunk highway funds for such projects). The plan to finance \$2 billion of road projects without raising taxes was rejected repeatedly by the Democrats, even though Democrats in most other states use bonding to pay for roads. In other states, it is understood that you spread the cost of durable projects over many years with bonding, much in the same way that most people finance homes and cars over longer periods.

But we will never know what middle ground could have been reached between \$4.18 billion plan and the "lights on" approach, because the Democrats would not consider the House Republican plan or any other intermediate approach. Instead, they reacted to the veto of the gas tax bill by passing the "lights on" version and trying to override the first veto in the last seconds of the legislative session. So it is not unreasonable to take credit for the net savings on \$3.94 billion on the transportation budget.

2. A strong argument could be made the number should be increased to \$4.44 billion because House Republicans helped to stop over \$200 million of spending by giving the Governor the support to veto the second omnibus tax bill, which was passed by the House after the constitutional deadline of midnight on the last day of the session. Despite evidence that state payments to local governments do not induce local leaders to restrain spending and property tax increases, the bill would have given an extra \$70 million for cities Local Government Aid ("LGA"), plus an extra \$28 million of LGA-type payments to counties, plus and extra \$11.25 million to smaller towns, plus authorization of \$33 million more of transportation debt for the Metropolitan Council, plus another \$18 million to various local governments for a spectrum of issues. In addition to payments to local governments, the bill would have raised business property taxes in the Metro area to fund the expansion of a key competitor, the Mall of America. Spending would also have been expanded for projects in Eagan, Burnsville and other cities.

That would bring the savings to \$2,008 for each payer of Minnesota income taxes.

3. A weaker argument could be made that the \$4.44 billion number could be increased by \$70,915,000 (the part of the \$334.1 billion Bonding Bill that was recommended by Governor Pawlenty). However, it is probably not fair to claim those savings, because the legislation might have been signed at that level.

4. Similarly, it is not reasonable to claim savings of \$452 million arising from the veto of the first tax bill. That was not a true spending increase. It merely would have taken the money from some people (by imposing the third-highest income tax rate in America) and given it to others for property tax relief.
5. Finally, it is hard to quantify how much spending was stopped by House Republicans by comparing the spending levels in the first vetoed versions of omnibus spending bills (transportation, economic development, state agencies, higher education, and HHS) and in the later bills signed by the Governor. It is unclear how much of the spending in the first bills was really sought by the Democrats in the first bills, and how much was thrown into the first bills just to satisfy special interests, with the full knowledge that the first bills were going to be vetoed.
6. However, it is clear that enormous savings were accomplished in the “out years” by vetoing the first versions of the bills. For example, in the first HHS bill, health and welfare programs were set to explode by 42% in fiscal years 2010-2011. Such growth would have swallowed the entire state budget in a short time.
7. So let it be sufficient to state credibly that the unified House Republicans, led by Rep. Marty Seifert (R-Marshall), gave Governor Pawlenty the necessary support to block \$4.44 billion of additional spending. This works out to savings of \$2008 for each of the 2,221,000 people who pay Minnesota income taxes. That number \$2008 has a nice ring to it.

Source: Andy Gildea, Office of Marty Seifert, Minority Leader Minnesota House Republicans.