

# Minnesota Works

## Horner-Mulder Budget Outline

Creating Jobs • Growing Business  
Investing in Minnesota's Future

- WHERE?
- Step 1)** - \$2.45 Billion (Budget Savings) in Spending Cuts, Service Redesign, and Government Efficiency
- Step 2)** Redesign County Services Delivery (Budget Savings are included in Step 1)
- Step 3)** Tax System Redesign; Invest in Job Growth, Tax Equality, New Economy Tax System; Create \$2.150 Billion in New Revenue
- Step 4)** + \$360 Million (New Spending) Investment in Minnesota's Future
- Step 5)** + \$145 Million (New Spending) to Create Minnesota Innovation Funds
- Step 6)** ✗ Authorize Racino; <sup>+</sup> Create \$250 Million in New Revenue
- Step 7)** - \$1.8 Billion (Budget Savings) to Pay School Shift Over Long Term; Provide Resources to Pay Interest on School District Borrowing; Begin Payback in 2013 (2012 if Economic Conditions Permit)
- Step 8)** Adopt a \$400 Million Bonding Bill in 2011

-2.45  
- 1.8  
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4.25

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Minnesota Works addresses the state budget in eight steps to meet key principles: stability, transparency, equity and accountability. The budget pays back the school shift over the long term, reduces state government spending, reforms Minnesota's tax system to strengthen the economy and meet revenue needs and makes strategic investments for the future. More importantly, this budget outline begins a transition to outcomes based budgeting.

### Step One: State Budget Cuts and Service Redesign (\$2.450 billion savings)

#### A. Take immediate administrative steps

- in 8 steps*
- a. Appoint redesign teams on November 10 and provide spending targets for each team. (see attached)
  - b. Freeze state hiring on Jan. 1 and established an early incentive retirement program. (Request the Governor Pawlenty do this on Nov. 10.
  - c. Extend the moratorium on new mandates and new administrative rules.
  - d. Adopt a three-year sunset for all state mandates; some sun-setting should be dealt with during the 2011 Legislative Session.

#### B. Set a \$2.45 billion target for reductions in expenditures

- a. \$1.35 billion in program cuts such as county program aid, water grants, solid waste grants, JOBZ, Ethanol Credit, etc.
- b. \$1.1 billion dollars in redesign savings recommended by such entities as Minnesota Association of Professional Employees, Public Strategies Group, Association of Minnesota Counties, and other groups that have proposed real reforms to Minnesota's governance system.

#### C. Accept early opt- in to Medicaid and use funding to create a Minnesota health care solution. (\$140 million new spending).

**Step Two: Authorize Counties to Adopt 1/2 Percent Sales Tax as Part of the Redesign of State/County Services.**

- A. Use 20 percent of the revenue generated for an equalization fund to provide distribution to those counties with low sales tax collections.
- B. Repeal levy limits.
- C. Put a moratorium on new rules and new mandates.
- D. Place a three-year sunset on current mandates.

**Step Three: Tax System Redesign and Reform (\$2.150 billion net revenue increase)**

- A. Reform and redesign the tax system to create jobs, incent tax fairness and make future investments.
  - a. Sales tax:
    - i. Reduce sales tax rate by 1%.
    - ii. Reduce regressivity by funding a low-income sales tax credit of \$350 million. *How do that work?*
    - ★ → iii. Broaden the sales tax but exclude non-discretionary spending of food, prescription drugs and medical procedures.
  - b. Tax expenditures:
    - i. Reduce tax expenditures by \$200 million creating more fairness in the tax system.
  - c. Corporate Income Tax
    - i. Increase the research and development credit and adopt 100 percent sales basis (\$75 million).
    - ii. Reduce corporate tax rate by 20 percent beginning in the 2013 biennium and set goal and plan for further rate reductions over following biennia to achieve a zero rate.
  - d. Property tax reform to increase fairness and common sense practices (\$125 million).
    - i. Reform the property tax system to rebuild equity in the system.
  - e. Increase tobacco and liquor taxes (\$600 million).

*WHAT IS THAT*

**Step Four: Investments for Minnesota's Future (\$360 million investments)**

- A. New investments in early learning, K-12 education and higher education.

- B. Strengthen the health of communities through new investment in the State Health Improvement Plan and supportive services for the homeless, focusing on families in crisis.
- C. Create new funding for older adult services.

**Step Five: Establish Minnesota Innovation Funds (\$145 million)**

- A. Start transition to outcome based budgeting through innovation funds.
- B. Create three funds to assist in start up costs and promote innovation.
  - a. Academic Success.
  - b. Healthier Minnesota. *Healthy for people*
  - c. Stronger Communities.

**Step Six: Authorize Racino (\$250 million) / year -**

*tribes*

- A. Authorize Racino for Canterbury Park and Running Aces.
- B. Use funds for budget reserve, natural disaster fund, Viking Stadium, and innovation funds.

**Step Seven: Pay the \$1.8 Billion School Shift Over the Long Term.**

- A. Create a \$20 million fund to pay the interest on any local school loans used for cash flow purposes.
- B. Establish a source and timetable for repayment of the school shift beginning in 2013 (2012 if the economy recovers sufficiently).

**Step Eight: Propose and adopt a \$400 Million Bonding Bill in 2011**

- A. Priorities include programs and projects that create immediate jobs and build the foundation for Minnesota's future economic growth.
- B. Among the programs that should be high priority are:
  - a. Local Bridge Improvement Program;
  - b. Minnesota Ten Ton Road Network;
  - c. Broadband build out grants;
  - d. Energy efficiency grants for Minnesota public schools;
  - e. Maintenance and energy improvement at Minnesota's two and four-year higher education facilities;
  - f. Support the development and growth of Minnesota's technology and life sciences industries.

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**Projected Budget Deficit: \$6 Billion**

Budget Outline Summary		New Investments
New Investments		\$360 million
Program and Service Reductions and Cuts	(1.35 billion)	
Redesign Savings	(1.1 billion)	
Net tax Reform and Redesign	\$2.150 billion	
Delay the Reverses of School Recognition Shift	\$1.8 billion	
<b>Total Reductions and Net Taxes</b>	<b>\$6.4 billion</b>	+ (40)

Racino	
State Dedicated Reserve	\$100 million
Vikings Stadium	\$30 million
Natural Disaster Relief Fund	\$15 million
Innovation Funds	\$145 million
<b>Total</b>	<b>\$250 million</b>



*Cathy analysis*

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# Minnesota Works Redesign Teams

## Potential Redesign Service Delivery Teams

- **Administrative Redesign**
  - Streamline the number of department managerial positions using attrition to reduce supervisory personnel by 15%, reduce number of political appointees and freeze hiring except for essential replacements.
- **Probation and Corrections Redesign**
  - Combine the current three correction/probation systems into one system based on regional population bases of at least fifty thousand.
- **IT Redesign**
  - Standardize software and organizational processes in a single state department. Departments should have hardware support in house but software development and web site management should be centralized.
  - Explore state and local software partnerships.
- **Court System Redesign**
  - Increase the use of Tele-Video, use an appointed court magistrate for lower level decision making, use more administrative fines, and follow other suggestion suggested by the court.
- **Human Services Redesign**
  - Expedite the Service Delivery Authority Redesign passed during the 2009 Legislative Session, reduce reporting requirements.
  - Provide incentives for innovation at the local level.
- **Education Redesign**
  - Incorporate education redesigns that include tenure reform, achievement measurement, etc.
- **Water Management Redesign**
  - Streamline state bureaucracy for managing water and water resources by designating one agency as the lead water agency.
  - Put a moratorium of new rules and management.
- **Economic Development Redesign**
  - Work with DEED, Minnesota Extension, Minnesota Workforce Development Association, and local government development associations to redesign and streamline administrative services.
- **Public Health Redesign**
  - Create new partnerships with Local Public Health Association and private and non-profit organizations to provide public health and health care services.
- **Local Government Aid Redesign**
  - Redesign the LGA formula:
    - Use core services as base
    - Repeal local government requirement to pay sales tax.
- **Additional Redesign Proposals to be considered**