

SENATOR LAWRENCE J. POGEMILLER

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July 2, 2005, 9:00 p.m.



Senate

State of Minnesota

TO: Senator Dean Johnson, Senate Majority Leader

FROM: Senator Larry Pogemiller, Chair, Senate Committee on Taxes

cc: Governor Tim Pawlenty
Speaker Steve Sviggum
Senate Minority Leader Dick Day
House Minority Leader Matt Entenza

Dear Mr. Majority Leader:

The Tax Working Group has been making very good progress, and committee members are working hard and in good faith. It is a pleasure working with Chairperson Krinkie. His consistent, straightforward approach is exactly what we need at this difficult time.

We are concerned, however, that the spending framework under which House conferees are operating may not reflect the discussions that you have been having with the Speaker and Governor on general spending parameters. To reach agreement on revenues, it is important for the working group to have an understanding of the general spending parameters that we are trying to meet. The positions of the House and Governor on these parameters are unclear.

So that we may progress with our work appropriately and expediently, we need, in writing, the general spending framework under which House conferees are working, the Governor's framework, and if the Speaker's framework is separate, his framework. Clearly, the size and growth of the Health and Human Services budget, and the amount of new spending for education are key objectives. It appears that there are at least three different ideas between the Governor, House conferees, and the Speaker about these objectives and the amount of revenue will be needed to meet them.

Senator Johnson, you've given Senate tax conferees clear parameters from which to work, and all revenue offers made by our conferees have matched the spending targets of the Senate. Once we have similar information from the House, Speaker and Governor, we can continue our work.

I assure you that House and Senate staff have been extraordinarily productive, and have a full understanding of the revenue and spending numbers of the House and Senate. Mr. Ward Einess has also been very helpful and informative to the working group.

It is important that the Tax Working Group receive clarification on these numbers, in writing, as soon as possible.

Thank you.





STATE OF MINNESOTA

Office of Governor Tim Pawlenty

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

July 4, 2005

The Honorable Lawrence J. Pogemiller
Minnesota State Senate
235 State Capitol Building
St. Paul, Minnesota 55155

Dear Senator Pogemiller,

Governor Pawlenty received your letter on July 3rd regarding the process of setting revenue targets in the tax working group. He asked me to respond on his behalf.

As set forth in the Governor's July 1, 2005 letter to legislative leadership, the Governor believes that, at least for right now, the process would best be served by the tax working group making another effort to set an overall revenue target and then allowing leadership to set spending targets for each of the remaining spending categories based upon the revenues available. It is our understanding that the tax working group has been meeting for many weeks without result. Nonetheless, the Governor believes another effort by the group is worth a try given the influence the tax working group has on the process overall.

How much will be able to be spent on the remaining spending categories will depend upon how much money is available under the current forecast and how much additional revenue the tax working group might be able to agree to raise. Once that number is determined, the Governor is confident that targets for the remaining spending categories could be promptly set.

The renewed emphasis on the tax working group is the result of efforts to set spending targets in the remaining categories not being successful so far. That is why the Governor would like to try this different approach. In terms of the direction you seek, the Governor suggests the tax working group identify the maximum amount of revenue and the sources of that revenue that can be mutually agreed upon by the House and the Senate members.

The Governor would likely agree to the revenues that would be satisfactory to Representative Krinke and you as well as the working group. I will be monitoring the working group closely to keep the Governor informed of the offers made and continue to be available to you if you need further information.

The Governor asked me to thank you for your hard work and asked that you expedite your efforts. As you well know, there are almost 9,000 state employees out of work and many state services that are unavailable because of this impasse. It is imperative that we conclude these negotiations promptly.

Sincerely,

A handwritten signature in cursive script that reads "Ward Einess".

Ward Einess
Senior Policy Manager

cc: Sen. Dean Johnson
Sen. Dick Day

Rep. Matt Entenza
Rep. Steve Sviggum