



# STATE OF MINNESOTA

## Office of Governor Mark Dayton

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

May 24, 2011

The Honorable Michelle L. Fischbach  
President of the Senate  
226 State Capitol  
St. Paul, Minnesota 55155

Dear Madam President:

With this letter, I am vetoing and returning Chapter 39, Senate File 887, the Jobs and Economic Development Finance Bill.

I appreciate that you have spared the Department of Labor and Industry from significant cuts. This Department's work to enforce labor standards, facilitate apprenticeship programs, and to enforce prevailing wage is so important in this economy.

Nevertheless, your cut in funding for the Department's Apprenticeship Program would reduce the department's ability to assess employers' needs and to develop appropriate recruitment and training strategies. And the cuts to the Labor Standards Division may mean the department will not be able to provide critical and timely services.

Regarding the MN Housing Finance Agency, I thank the Conference Committee for adopting my position on three housing programs that serve the most vulnerable populations – the Family Homeless Prevention and Assistance, Bridges, and Housing Trust Fund programs. They are very important programs, and I appreciate that we are all looking out for the very vulnerable people, who use these programs.

However, there are cuts to the homebuyer counseling programs that will negatively impact the nearly 1,200 households that will not receive homebuyer counseling at a time when the mortgage financing system has become more complicated to navigate. In addition, fewer potential homebuyers will have access to down payment assistance, less neighborhood stabilization activities will occur in response to the foreclosure crisis, and fewer rental housing properties in Greater Minnesota will be rehabilitated. Housing development and redevelopment programs that help create jobs are reduced in the bill. For every \$1 million in state investment in affordable housing, 11.8 jobs are created in Minnesota.

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Your modest reduction to the Bureau of Mediation Services is also appreciated. You likely know that the present reduction was preceded by a 28% base funding reduction from FY2003 to FY2011 and a 40% reduction in staff. The adoption of new technologies, different scheduling procedures, and other efficiencies has reduced the impact of these cuts. Nonetheless, their cumulative effect is a significant reduction in the ability of the Bureau to carry out its core mission of ensuring efficient, harmonious and positive relationships among all of Minnesota's public jurisdictions. Thank you for recognizing those challenges.

I was pleased to see a \$2 million dollar increase in the match appropriation for one year, which will allow the Vocational Rehabilitation Program (VR) to fully leverage the federal funds. However, when the match appropriation reverts to \$8.8 million in SFY 13, the VR program will be unable to leverage the full federal appropriation. Ideally, this program would be fully funded in both years. Doing so leverages federal funds \$4 to \$1.

The bill eliminates the Minnesota Trade Office, which is unacceptable to me. The Trade Office provides vitally important services to many Minnesota businesses, such as training and consulting on how to export their products. Minnesota-manufactured exports jumped to \$17.2 billion in 2010, an increase of \$2.5 billion (or 17.3%) between 2009 and 2010. More than 8,100 businesses throughout Minnesota exported goods and services and Minnesota ranked 20th in export value among all states. Exports are responsible for 145,800 jobs in Minnesota, ranking 16th among all states. Another 81,000 export-related jobs are found in marketing and sales, transportation, and logistics-key sectors in delivering products to export markets. These exporters have an important impact on our economy and their international success is a source of new jobs for the state. I insist on continuing the funding for this important office.

Further concerns with the bill include no new funding for the Redevelopment Fund and Minnesota Investment Fund (MIF). These programs are important to help communities invest in economic growth and repurpose underutilized assets. The cuts would greatly reduce the ability of communities to offer potential for redevelopment. MIF is the state's key incentive-based tool used to compete for job expansions with other states. DEED currently has more than ten projects interested in Minnesota with nearly all of them requesting MIF financing. As our MIF balance remains sparse, it will constrict our ability to successfully compete with other states for high-quality expansions that are increasing in number as the economy recovers.

Chapter 39 contains deep reductions to important programs that help spur economic development and job growth. Some examples include:

- The Contamination Clean Up grants program, which takes a \$802,000 cut in their General Fund dollars each year in FY 12-13. The cuts would greatly reduce the ability of communities to clean up the estimated 10,000 brownfield sites in Minnesota;
- The 6.1% cut to Extended Employment Basic would mean fewer Extended Employment employees would receive support. As many as 600 persons would likely lose their jobs and the total persons being served in Extended Employment would be reduced from roughly 5,400 in the current year to 4,800. The subsequent loss in wages for the biennium would be up to \$3.25 million;
- Cutting the Jobs Skills Partnership program, by 12% or \$1,090,000 will limit resources for employers looking to retain their employees through training. The impact of this reduction would be approximately 2.7 fewer projects awarded per year, 1,185 fewer trainees per year receiving training, and 6.2 fewer businesses served per year;
- Minnesota Science and Technology Authority funding is currently split between two bills: taxes and economic development. Adequate funding for this program is essential. At a minimum, we need the \$500,000 in the tax bill, plus we need to reinstate the \$107,000 base in the economic development bill, which is eliminated for FY12. Current funding levels will not address funding gaps prioritized in the Strategic Plan to support entrepreneurial job growth for the state; and
- The bill takes penalty money, assessed on unemployment insurance fraud cases, currently going to unemployment insurance administration and puts it in the state general fund. The bill takes the current balance as well as, changes the law permanently. Taking this money in the future, will jeopardize the efficient handling of unemployment insurance benefits and taxes. DEED can handle a onetime transfer but a permanent transfer is not acceptable.

I do appreciate your attempts to reform what have become standing appropriations in the Economic Development Budget area by developing a competitive grant program. My concerns are with the serious cuts to the pool of funds available for the grant program. The Youth and Adult programs receive a 15% reduction and Business programs receive a 17% reduction. These cuts mean that either 15-17% fewer programs will be funded, or that every program will see a serious reduction in resources. These are strong programs that help to spur economic growth in Minnesota and these cuts are troubling.

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The difficult consequences of the funding levels in the Economic Development finance bill are compounded by provisions in the State Government Finance bill. The State Government Finance bill mandates a 15% reduction in staff employed in the executive branch, regardless of funding source. Most of the state agencies funded in the Economic Development bill have relatively few, if any, staff that are paid for by the General Fund. Consequently, the General Fund savings from this provision are minimal for most of these agencies.

The reduction of up to 15% FTEs would cut up to 266 positions at DEED, even though only 110 of DEED's agency employees are funded with General Funds. For the Department of Labor and Industry (DLI), the 15% reduction equals 64 FTEs. The measure would only save \$129,000 for the general fund since most DLI funds come from fee income. The 15% reduction in staff would result in a loss of 32 staff at Minnesota Housing. The concomitant reduction in costs would not benefit the general fund since no general fund monies are used to pay for the Agency's administrative expenses. The Bureau of Mediation Services will also be required to eliminate three positions as a result of this mandate. A reduction of this magnitude would render the agency incapable of meeting its core statutory obligations.

Compromise is never easy, because each person must give up something that is important. Compromise requires us to agree to items that we don't agree with. That is the only way we will reconcile our differences on the state's budget. I am returning this bill to you with the hope that you will choose to work with me, to find a fair, responsible, and balanced solution.

Sincerely,

A handwritten signature in black ink that reads "Mark Dayton". The signature is stylized and cursive.

Mark Dayton  
Governor

cc: Senator Michelle L. Fischbach, President of the Senate  
Senator Amy T. Koch, Majority Leader  
Senator Thomas M. Bakk, Minority Leader  
Senator Geoff Michel  
Representative Paul Thissen, Minority Leader  
Representative Bob Gunther  
The Honorable Mark Ritchie, Secretary of State  
Mr. Cal R. Ludeman, Secretary of the Senate  
Mr. Albin A. Mathiowetz, Chief Clerk of the House of Representatives