



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 40, Senate File 1047, the State Government Appropriations Bill. I do so with the hope that we can come together to find a mutually agreeable compromise in the weeks ahead.

Already, Legislators from both parties have worked well with my Commissioners and with me to find areas of common ground within this bill. I thank them for their thoughtful and dedicated efforts. We share a strong commitment to make government work better for all Minnesotans. We also share strong commitments to a more data driven, results-oriented state government and to continuous government improvements.

To that end, my administration has already moved forward with a Master RFP to use data analytics to improve tax compliance, state building efficiency, medical fraud detection, fleet management and strategic sourcing. While we disagree on whether to include in the budget the estimated savings from this work, we share high expectations that data analytics will improve government performance and save money for Minnesota taxpayers.

I am open to further discussions on the Pay for Performance pilot program in your bill, despite my serious concerns about using debt to pay for ongoing operations. I also support your State Agency Value Initiative (SAVI), which would allow agencies to retain half of the savings from efficiencies identified by agency employees.

Thank you also for joining me in protecting Military and Veterans Affairs from funding cuts. This bill corrects the failure of the bills which passed the Senate and the House to protect those two vitally important agencies from funding and staffing reductions.

While we have important areas of agreement, we must acknowledge that our approaches are very far apart in other ways. My primary concern with this bill is the fundamental mismatch between funding recommendations and expectations for services. Total funding is roughly one-

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third lower than these activities currently need. Such extreme reductions to agency operations would jeopardize core government functions and substantially impair the state workforce.

This bill would reduce the state workforce by 15% regardless of funding source or need, which would result in an arbitrary decrease in employees who provide critical government services. What successful business executives would order an across-the-board 15% employee reduction in all operations, regardless of their size, efficiency, profitability, and need?

This drastic cut would greatly damage our ability to deliver services like plowing roads and maintaining parks. I cannot agree to a blanket 15% workforce reduction, especially when it occurs on top of other agency specific budget cuts.

This bill also sets statutory goals for the upcoming labor negotiations which in my view encroach on the collective bargaining process. You would require that labor negotiations mandate a salary freeze and save \$90 million from health insurance. This requirement undermines the collective bargaining process and the responsibility of the executive branch to negotiate labor agreements in good faith.

The bill makes substantial reductions in operating funding even as it establishes multiple, new requirements for state agencies. For example, Minnesota Management and Budget would sustain a 10% operating budget reduction while at the same time have new responsibilities for creating a zero-based budgeting process, administering an employee gain-sharing program and conducting a job classification study.

I will demand that state agencies continuously improve their operations, but at the same time we must be honest with people that the cuts your propose to state agencies will reduce services and work against the reforms we have already begun to implement. For example, the bipartisan permitting reform work will flounder if we do not have the staff in the PCA and DNR to expedite permitting. In the Department of Revenue, we will be unable to improve collections if we also have across the board cuts to auditors.

We have had many discussions about the revenue estimates included in the State Government finance bill. The bill fails to account for the estimated revenue loss of \$37 million due to the operational funding reductions to the Department of Revenue but recognizes \$169 million from enhanced data analytics capabilities and the federal reciprocal agreement for non-tax debts, even though Revenue analysts cannot substantiate these figures. Minnesota is a national leader in audit selection, tax compliance activities and collections and we should respect their understanding of what we can achieve.

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There are additional concerns that have been voiced in person and through letter. These areas of disagreement do not diminish my interest in working collaboratively with you to improve how state government works and ensure we are getting the very best value for every tax dollar spent. My Commissioners and I have led the executive branch for only four months, and while we deeply respect the hard work and professionalism of state employees, we feel no need to defend the status quo. We are dedicated to working with you to find ways to save money, reduce expenses, and improve the services provided by state government. I know that, working together, we can create a reform-minded blueprint for our state of which we can all be proud.

Sincerely,

A handwritten signature in black ink that reads "Mark Dayton". The signature is written in a cursive, flowing style.

Mark Dayton
Governor

cc: Senator Michelle L. Fischbach, President of the Senate
Senator Amy T. Koch, Majority Leader
Senator Thomas M. Bakk, Minority Leader
Representative Paul Thissen, Minority Leader
Representative Bud Nornes
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