

*****CONFIDENTIAL DRAFT*****

**Compromise Offer to Governor Dayton from Minnesota Legislature
June 29, 2011 at 8:00 p.m.**

New Revenue in Compromise Offer is Contingent Upon:

- Special Session on Thursday, June 30 to pass K-12, Environment, Public Safety/Judiciary, Taxes, State Government, Transportation, and Higher Education bills
- Pass bill to continue current level funding for HHS on Thursday, June 30; Minnesota Legislature will pass HHS bill by July 8.
- Reforms and initiatives as outlined below.

Education:

- Education reforms, including but not limited to:
 - Opportunity + early education scholarships
 - Literacy initiative
 - Collective bargaining reforms
 - Mandate relief for schools
 - Education policy bill provisions

Higher Education

- Cloning language
- Tuition caps for MnSCU and University of Minnesota for FY 13

HHS:

- Provider tax repeal starting (HF 1584).
- EBT reform
- HHS spending caps equal to Consumer Price Index (CPI) in FY 2014-15
- Unborn Child Protection Act
- Ban on taxpayer funding of abortions

Taxes:

- Extend current property tax caps for three years

State Government:

- Pay for performance - \$10M
- Repeal 16C contract language
- Strategic sourcing
- OET/IT consolidation
- Sunset commission
- 15 by 15 Initiative
- Photo ID

Dayton-Bakk-Thissen Compromise Budget Proposal

June 30, 2011

TAX REVENUE SUMMARY

FY 2012-13

Income Tax - New 4th Tier starting at \$1,000,000 (Affects 7,700 of 2.5 million tax returns)	\$746M
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Non-Resident Estate Tax Provision	\$13M
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Corporate Tax Reforms / Close Tax Loopholes	\$303M
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Sales Tax Reforms	\$32M
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Total Tax Revenue Changes	\$1,093M
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Net HHS Surcharge Revenues	\$300M
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Total Revenue Changes	\$1,393M
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Resolving the budget deficit is the priority to prevent state government shutdown; all policy differences to be resolved in next regular session)

MBD Offer 6/30/11

Shift school aid payments from 70:30 to 50:50. (-\$1.4 Billion)

Increase per student formula by \$50/yr. to cover additional borrowing costs. (+\$128 Million)

Add \$10 Million more to University of Minnesota (total: \$60 Million) to equalize cuts with MnSCU.

Restore funding to Department of Human Rights, Trade Office,

Net Savings: \$1.34 Billion.

And

Signed agreement that tonight's Special Session of the Legislature would be confined to passing a "Lights On" extension of funding for all current operations and obligations of state government until 11:59 pm on July 11, 2011. No other votes would be permitted, and the session will conclude by 11:59 pm on June 30, 2011.

**Offer to Governor Mark Dayton from Minnesota Legislature
June 30, 2011 at 3:00 p.m.**

Shift school aid payments from 70/30 to 60/40 (\$700M)

Issue tobacco bonds to cover remaining gap as agreed to by Governor, Speaker and Senate Majority Leader (TBD)

Increase per student formula by \$50/yr to cover additional borrowing costs (+128M)

Add \$10M more to University of Minnesota to equalize reductions with MnSCU (\$60M for higher education)

Restore funding to Department of Human Rights and Trade Office

Session Details:

Signed agreement that tonight's Special Session of the Legislature would be confined to passing a "lights on" extension of funding for all current operations and obligations of state government until 11:59 p.m. on July 11, 2011. No other votes would be permitted, and the session will conclude by 11:59 p.m. on June 30, 2011. All budget bills will be completed and passed on Monday, July 11, 2011.



STATE OF MINNESOTA

Office of Governor Mark Dayton

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

June 30, 2011

The Honorable Senator Amy T. Koch
Majority Leader, Minnesota Senate
Capitol Building, Room 208
75 Rev. Dr. Martin Luther King, Jr. Blvd.
St. Paul, Minnesota 55155

The Honorable Kurt Zellers
Speaker of the House
463 State Office Building
100 Rev. Dr. Martin Luther King, Jr. Blvd.
St. Paul, Minnesota 55155

Dear Senator Koch and Speaker Zellers:

I appreciate your latest offer, which we discussed at 3:00 pm today.

I am willing to agree to your proposed 10% shift in school aid payments, as the final element to prevent a shutdown.

However, I cannot agree to both a tobacco bond issuance and a school shift, neither of which are permanent revenues. I propose substituting for the tobacco bond in your proposal either:

1. an additional 3% income tax on Minnesotans with incomes over \$1 million, which would provide \$746 million for the biennium. This would affect only 7,700 Minnesotans, and still leaves the percentage of income they pay in state and local taxes below most other Minnesotans;

or

2. a 1.5% additional income tax on Minnesotans with incomes over \$1 million, plus the additional tax reforms outlined in the proposal made by Senator Bakk, Representative Thissen, and myself this morning; i.e., \$303 million in corporate tax reform, \$13 million in non-resident estate taxes, and \$32 million in sales tax reforms.

Thank you for your consideration of this proposal. I will await your response.

Sincerely,

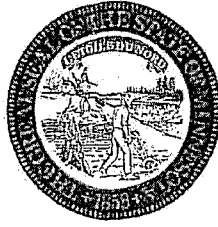
Mark Dayton
Governor

4:04 pm
6/30/11

Voice: (651) 201-3400 or (800) 657-3717
Website: <http://governor.state.mn.us>

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MN Relay (800) 627-3529
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June 30, 2011

Governor Mark Dayton
130 State Capitol
75 Rev. Dr. Martin Luther King Blvd
St. Paul, MN 55155

Governor Dayton:

We respectfully reject your latest budget offer received via letter today at 4:00 pm.

Substituting an income tax increase for the tobacco bond funding can only be seen as a step backwards in our negotiations. Yesterday you graciously took all of your tax increases off the table, which allowed us to proceed with an offer that included other meaningful reforms.

Any proposal that includes a tax increase does not have the support to pass either the House or the Senate. We cannot move forward with negotiations until you return to your earlier position regarding tax increases. We welcome an opportunity to do so.

In the meantime, please find attached to this letter the language for a "lights on" funding bill for the next ten days. We urge you to call us back into session immediately so we can avoid the costly and unnecessary pain of a government shutdown.

The House and Senate are assembled tonight in their respective chambers and are ready to work to avoid a shutdown and its harmful effects on the State of Minnesota and its employees.

Respectfully,

Handwritten signature of Kurt Zellers in black ink.

Rep. Kurt Zellers
Speaker of the House

Handwritten signature of Amy Koch in black ink.

Sen. Amy Koch
Senate Majority Leader

