

Energy at the Legislature

2007 May Bring Change In Renewables Policy

Julie Perrus

An energy standard for the state will likely be introduced and acted on early in the 2007 legislative session. Senator Ellen Anderson (DFL - St. Paul), the perpetual author of a bill requiring that at least 20% of energy provided by the state's electric utilities come from renewable resources by 2020, gained support in the Senate last year, which approved the initiative in May 2006. The Republican-controlled House did not support Anderson's proposal.

The "20 by 2020" initiative may finally have the support necessary to pass in 2007, as the November elections gave the DFL control of both the House and Senate. Polls show strong public support for increased use of renewable energy sources, which under Anderson's proposal would include wind, solar, biomass, certain hydrogen facilities and Minnesota hydro-plants with capacity under 100 megawatts. Current state law requires that utilities make a good-faith effort to have at least 5% of their energy mix come from renewable sources by 2010. Anderson's proposal builds on current law; however, after 2010 the move to renewables would shift from good-faith efforts to mandated standards.

Anderson and other supporters of the 20 by 2020 initiative argue that the legislation will not only reduce Minnesota's energy dependence on external sources, it will provide

as many as 5,000 jobs, ranging from high-tech manufacturing to construction and ongoing operational support positions. They argue an increase in renewables will bring new income opportunities to rural landowners and farmers and increase local property tax revenues.

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While the 20 by 2020 proposal has an excellent chance of passing both the House and Senate in 2007, it is unclear how Governor Tim Pawlenty will respond. Governor Pawlenty has stated his support for a national standard of 25% of total energy from renewables by 2025. Critics argue that the "25 by 2025" plan pushes biomass for vehicle ethanol as a big component of the shift to renewables, which may not yield a net environmental benefit.

Change at the local or national level regarding renewable energy policy seems inevitable. The remaining questions relate to timing and percentages, as well as subsidies, if any. Look to *CapitolWatch* for future energy updates this session. ■

EDITOR'S CORNER

Peter Coyle

The end of a calendar year symbolizes both the passing of time and the onset of change with the coming new year. This year, voters in Minnesota and elsewhere, expressed their preference for political change in a big way. For the first time in eight years, both the Minnesota House and Senate will be governed by members of the DFL party, with substantial majorities in both bodies. Running counter to a strong national wind, Governor Tim Pawlenty barely prevailed over his DFL opponent, Mike Hatch, and was the only statewide Republican candidate to win in Minnesota on election day.

Nearly one third of the 2007 legislature will be made up of folks from around the state who are new to elected office. Every committee chairperson in the House will be new to their position (unless they were serving in the House over eight years ago). Even though the Senate remains under the control of the Democrats, virtually all of the committees will have new chairpersons, as well as caucus leadership.

This issue of *CapitolWatch* previews the 2007 session of the Minnesota Legislature, which begins on January 3, 2007. This year the legislature will focus its energy on establishing a budget for fiscal years 2008 and 2009. With a potential budget surplus, proposals are already being floated to raise spending on health

Health Care Update

Marnie Moore

Minnesota was once again rated the healthiest state in the nation, according to an annual survey conducted by United Health Foundation. The panel of experts that make up the survey's Scientific Advisory Committee look at multiple factors and rank each state accordingly. Minnesota was ranked as a top ten state in ten of eighteen measures analyzed. This reinforces the image of Minnesota as a leader in health care initiatives. However, being number one doesn't mean that there isn't room for improvement. Governor Tim Pawlenty and members of the House and Senate sense that 2007 is the year to step forward with bold measures to continue the state's innovative tradition in health care.

One area in which Minnesota excels is making sure that its citizens have access to health care coverage. At an 8.4% uninsured rate, Minnesota has the lowest number of uninsured individuals in the nation, but many feel it can be better. Children under the age of 18 comprise over 70,000 of the state's uninsured. Not long after the dust settled from this year's election, Governor Pawlenty proposed universal coverage for all of Minnesota's children. DFL leaders in the House and Senate are not only supportive of this measure, but have advocated this step for several years.

Governor Pawlenty's support for universal coverage should not be confused with a single-payer universal health care system, which is government funded. Governor Pawlenty's plan for universal coverage for all children would ensure universal access to health insurance. This could occur through an extension of the current Minnesota Care program, or via the creation of a new health insurance program for children that would provide fewer services than currently provided to adults. The specifics and the price tag for ensuring full coverage for children still need to be worked out, but it seems likely that this will be one of the first health care initiatives addressed during the 2007 session.

When it comes to smoking, Minnesota does not fair as well. With 20% of the population lighting up, Minnesota ranks 18th in the nation in terms of smoking prevalence. The U.S. Surgeon General has determined that even brief exposure to secondhand smoke is more of a health hazard than originally thought, with immediate adverse effects on the cardiovascular system and an increased risk for heart disease and lung cancer.

While the role of government in terms of regulating what one does in private is still evolving, the government clearly does have an obligation to protect the public health of all citizens. Minnesota cities and counties have not been waiting; they have been enacting smoking bans on their own. With a

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DFL majority in both the House and Senate, and Governor Pawlenty on record stating that he would sign a statewide ban if it came to his desk, this could be the year that Minnesota goes "Smoke-Free."

With momentum building on these two key issues, along with other quality and cost-containment measures yet to be unveiled, Minnesota has the potential of not only keeping its spot as the healthiest state in the nation, but also increasing the margin in the process. It is up to elected officials to carry forward the tradition—and they are off to a promising start. ■

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care, transportation and education, while also reducing local property taxes. Governor Pawlenty will want to keep a lid on new state spending, but will have much less political help from his fellow Republicans than in prior years. Consequently, it will be interesting to see whether the Democrats discipline themselves or take a chance on a veto from the governor.

We near the end of 2006 feeling very thankful for the opportunity to serve many wonderful clients. We are grateful to live and work in the great state of Minnesota and to interact with our government leaders in St. Paul. We thank those whose tenure of public service is at an end. We congratulate those newly elected to public service, as well as those re-elected, and look forward to working with them in January 2007!

Enjoy this issue of *CapitolWatch!* ■

Budgets & Rebates

Remi Stone

A cornerstone of the 2007 legislative session will be the adoption of Minnesota's biennial budget for fiscal years 2008 and 2009.

The 2008-09 budget will see expenditures approaching \$30 billion, with projected state revenue nearing \$32.5 billion. Traditional state expenditures are for education, roads, bridges, technology, health care, public safety, housing, natural resources, agriculture, economic development, higher education, state agencies and local units of government.

Earlier this fall, state officials announced that Minnesota's finances were on the plus side of the ledger to the tune of nearly \$2.2 billion. The state has not been in the black going into its biennial budget setting cycle since 2001. The surplus is due to higher than expected tax and fee revenue, with corporate income taxes being the largest single contributor to the surplus. Interestingly, sales tax revenue was down from projections.

Current expenditures do not include inflation on state government programs. Nevertheless, even with projected inflation on existing state government programs (about \$990 million in FY 2008-09) the state would be expected to stay in the black.

This positive financial position will cause policy makers to talk in a bi-partisan manner about increased spending on property tax relief and schools. Also on the priority list is spending on transportation, reducing college tuition and expanding health care coverage. A new stadium for the Vikings did not make the budget list.

Another bit of good economic news is that the state has nearly \$1 billion in reserve funds; budget reserves are at \$653 million, with the state's cash flow account at \$350 million. However, state officials urge caution due to the slowing national economy, the decline of housing construction, a 2% projected national decline in home values and lower than expected payroll growth.

\$2.2 Billion Surplus Equals Rebate Debate

Unexpectedly strong budget reports have caused speculation as to whether Minnesotans will receive

tax rebates in 2007. Significant budget surpluses trigger an obscure law forcing state leaders to consider a tax rebate. Nearly \$1.04 billion of the projected surplus is part of the 2007 fiscal year ending June 30, 2007. Under state law, when a surplus in its current fiscal year exceeds 0.5% of projected spending, the governor is required to present a rebate plan to the legislature. Legislators will have until April 15, 2007 to act on the plan; but they do not have to adopt it.

As property taxes have increased an average of 8% a year for five years, it seems likely that Governor Pawlenty may recommend a property tax relief rebate plan, which is also at the top of Republican and Democratic agendas. Minnesotans first received rebates during Governor Arne Carlson's administration in the form of residential property tax refunds obtained when filing their income taxes. Under Governor Jesse Ventura's administration, Minnesotans received sales tax refunds. ■

Budget Surplus Breakdown:

FY 2006-07:
Projected budget surplus
of \$1.038 billion

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FY 2008-09:
Projected budget surplus
of \$1.132 billion

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**Total Current Projected
Budget Surplus:
\$2.17 billion**

Larkin Hoffman's Government Relations Department



PETER J. COYLE is president of Larkin Hoffman and chair of the Government Relations practice group. He is also a member of the firm's Land Use and Real Estate practice group.

Peter's government relations regulatory practice encompasses local, state and federal administrative agencies and the Minnesota Legislature. He represents private developers, landowners and businesses before state agencies, the Metropolitan Council, county boards and city councils.

Peter previously served as Staff Director and Chief Counsel to United States Senator Rudy Boschwitz and on the U.S. Senate Committee on Small Business in Washington D.C. ■



GERALD L. SECK is a shareholder and member of the Government Relations practice group at Larkin Hoffman.

Jerry has been an active lobbyist at the Minnesota Legislature since 1971 and lobbies for a variety of clients and issues for governmental units and private concerns. His experience includes legal director of the Minnesota Public Interest Research Group, Executive Director of the Leech Lake Indian Reservation Legal Services Project, Director of the Truk Office of Micronesian Legal Service and a clerkship for Justice James C. Otis on the Minnesota Supreme Court. He also was recognized by the U.S. Environmental Protection Agency (EPA) for his environmental work. ■



JULIE L. PERRUS is an associate with Larkin Hoffman and is a member of the firm's Government Relations and Land Use and Real Estate practice groups.

Julie has experience working with senators, lobbyists and clients to resolve statutory issues and manage legislation and public policy. Prior to joining Larkin Hoffman, she was the committee administrator for the State and Local Government Operations

Committee at the Minnesota State Senate. She also served as a legislative assistant to State Senator Linda Higgins and as a staff assistant to U. S. Senator Paul Wellstone.

Julie received her J.D. from William Mitchell College of Law and graduated with her B.S. from Winona State University. ■



REMI E. STONE is an attorney with Larkin Hoffman where she practices in the firm's Real Estate and Government Relations practice groups.

Remi's experience includes representing both the residential construction industry and municipalities. Prior to joining Larkin Hoffman she represented the Builders Association of the Twin Cities, the League of Minnesota Cities, the Builders Association of Minnesota, the Coalition of Greater Minnesota Cities and several individual private and public clients. Currently, she serves on the City of Saint Paul's Capital Improvement Budget Committee and chairs its Capital Maintenance Project Selection Committee.

Remi is a graduate of Hamline University - School of Law, where she still spends time as an adjunct professor of law teaching legislation and lobbying. ■



MARNIE S. MOORE is a paralegal with Larkin Hoffman and a member of the firm's Government Relations practice group. Before joining Larkin Hoffman, she was a manager of government affairs and prior to that spent several years with the Minnesota Wild Hockey Club as a corporate account manager.

Marnie is currently serving as a Governor's appointee on the Board of Dietetics and Nutrition Practice and the Council of Health Boards. She also volunteers with the Minnesota Rural Health Organization.

Marnie received her B.A. from the University of Minnesota, Twin Cities and is currently completing her J.D. at Hamline University. ■