

How Green is Your Job?

Julie Perrus

In a time when we can buy everything from a “green” car to a “green” countertop, and we hear many environmentalists complaining about “greenwashing,” where do we begin to sort out what constitutes a “green” job — and who will win when it comes to tax credits and incentives to promote such jobs?

“Green” will be on the legislative agenda this year. Governor Tim Pawlenty unveiled his “Green Jobs Investment Initiative” in November. Without yet publicly defining a green job, Pawlenty’s proposal encompasses tax-free incentives through: a “Green JOBZ” program which mimics the exemptions found in the current JOBZ program; a Job Growth Investment Tax Credit, targeting green job projects that promote the state’s renewable energy goals; a new Small Business Investment Tax Credit, 50 percent of which will be targeted to green job projects; and incentives to expand the production and infrastructure for renewable energy.

The Legislature will play a critical role in this discussion, as well. Senator Ellen Anderson and Representative Jeremy Kalin co-chair the Green Jobs Task Force, a working group created in 2008 to advise the Governor and the Legislature on recommendations to advance the state’s economy. The Task Force has come up with a working definition of green jobs, which includes employment opportunities in green products, renewable energy, green services and environmental conservation. The Task Force is in the process of refining its proposals for the 2009 session, which will likely include workforce training, attracting green jobs to the state and retaining and expanding existing green jobs. More information can be found at www.mngreenjobs.com.

The 2009 Legislature and the Governor will both advance green agendas this year to the benefit of many Minnesota businesses and industries. Whether consideration will be given not only to businesses that are typically considered green, but also those that are operating traditional businesses under rigorous environmental standards seems to be up in the air. The interplay between both sets of proposals and the ultimate definition of a green job will impact our economy and our environment for years to come.

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EDITOR’S CORNER

Peter Coyle

No amount of hyperbole can describe the challenges confronting our state and nation. While the executive and legislative branches of the federal government can “spend” money to try and reverse our declining economy by accruing more debt, Minnesota’s executive and legislative branches are constitutionally required to maintain a balanced budget. Its bad enough that the forecast for the next biennium, beginning August 1, 2009, projects a budget deficit to exceed \$5 billion (as of the end of November), but the financial pain is compounded by the need in the current biennium to close a deficit of approximately \$500 million between now and the end of July 2009. Budget planners and elected officials will be tested in the coming months like they have never been tested before. Agencies at all levels of government are going to be forced to make real spending cuts and/or vote to increase taxes.

In a perverse way, the financial pressures on the state offer legislative leaders and the governor an opportunity to redefine the proper role of state government, particularly its role in funding local government operations. On the other hand, an attitude that the state can simply push more financial responsibility off to local government is no solution if the cities, counties and towns lack the financial wherewithal to fill the gap. Local governments have expressed concerns about unfunded mandates for years — maybe its time to put that list together and determine whether some or none of these

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Health Care Update

Marnie Moore-Lindman

As 2008 gives way to 2009, the buzzword is reform — reform in the context of the 2008 health care reform legislation that is underway and reform as a means of dealing with the looming budget deficit.

First, the good news. Progress is being made. The Minnesota Departments of Health and Human Services have been busy implementing the health care reform provisions that became law in 2008. The reforms focus on health care homes, quality measurements, transforming the payment system and improving public health. A Health Care Reform Review Council, established to oversee the progress of health care reform implementation, began meeting in September. Work groups have been formed for specific issues and everyone is working under tight deadlines. The reform process will take several years, but if all goes as planned we can hope for positive changes from these initiatives.

Now, the bad news. The state's health and human services budget comprises over 25% of all general fund spending, making it a ripe area for cuts. And, spending in this area is on the rise. In fact, higher than anticipated enrollments in state health care programs at a cost of \$498 million is the primary reason why projected spending for 2010-11 is \$580 million higher than end-of-session estimates.

Enrollment in state health care programs will continue to rise. Employers are facing economic challenges and lay-offs are occurring on a more frequent basis. When workers lose access to employer-sponsored health care coverage they often turn to state-sponsored health care programs. Both Republican and DFL legislators have stated recently that increases in state health care spending are not sustainable. But what is the solution?

Traditionally, legislators have raised revenues, shifted dollars, or cut costs. Governor Pawlenty and Republican legislators have stated that they will not consider raising taxes. However, Republican legislators are looking for alternative ways to raise revenues, perhaps by privatizing or outsourcing government services. DFL leadership has stated that nothing is off the table. Both Republican and DFL legislators anticipate that Governor Pawlenty will propose shifting money from the Health Care Access Fund (funded primarily by provider taxes on hospitals, surgical centers and other health care providers) to the General Fund. This would not occur without a fight.

Cost cutting usually focuses on reducing eligibility levels for state-sponsored programs, or cutting reimbursement rates to care providers. Both scenarios are problematic. Providers serving enrollees in state-sponsored programs are already reimbursed significantly below cost, and lower levels of reimbursement would not be sustainable. On the other hand, reduced eligibility levels result in higher levels of uncompensated care which weighs heavily upon our safety-net hospitals. Meanwhile, Minnesota hospitals have been laying off hundreds of workers over the last several months as they struggle to remain financially stable, bringing us right back to where we started.

In an attempt to put a positive spin on the entire situation, the Governor and House and Senate leadership on both sides of the aisle are talking about the opportunity that this budget deficit provides for large scale reform efforts. It's certainly too soon to tell if anything dramatic will be done this session, but it is fair to say that in 2009, reform will be joined by some other buzzwords ... revise, restructure, reexamine, reorganize, and yes, perhaps even redo from scratch. ■

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mandates are really needed any longer. Ultimately, however, state and local governments need to force a discussion amongst themselves and with their constituents about what roles and services are essential as opposed to merely desirable. Not an easy conversation under the best of circumstances, but now we have no choice.

This year's legislative session begins with the House and Senate again under the control of sizable DFL majorities; the Senate DFL has a veto-proof majority, but the House DFL is three votes short of this standard. Consequently, Governor Tim Pawlenty will be able to exercise substantial leverage in any future negotiations about the budget, assuming he can retain the solid support of House Republicans in the event of a veto

and an ensuing veto-override attempt. As occurred last year, moderate House Republicans may feel enough local pressure to align with House Democrats to support an override on a given question; this fact may help to limit one side or the other from taking too extreme of a position.

This is our fourteenth year offering *CapitolWatch* as a free service to our clients and friends at Larkin Hoffman. We appreciate our relationship with you. As always, don't hesitate to call or email us if you have questions about something happening at the Legislature in the coming months. We look forward to reporting on the 2009 legislative session beginning on January 6, 2009. ■

Greenhouse Gas Activities

Peder Larson

Recent Legislatures have made Minnesota a leader in addressing climate change. The state has greenhouse gas reduction goals of 15 percent by 2015, 30 percent by 2025 and 80 percent by 2050. The 2007 creation of the Midwest Climate Change Advisory Group ("MCCAG") produced months of work by its 56 members in 2008 and advanced 46 recommended policy action. Those policy actions could very well turn into proposals for legislative action in 2009.

The 2008 Legislature focused much of its attention on whether Minnesota should establish a "cap and trade" system for carbon emissions to help it reach its greenhouse gas reduction goals. The session closely followed the signing of a Midwest Greenhouse Gas Reduction Accord ("Midwest Accord") by Governor Tim Pawlenty, other Midwest Governors and the Premier of Manitoba. The Midwest Accord also focused on establishing a cap and trade program, but on a regional scale.

The 2008 Legislature set the initial agenda for greenhouse gas

discussions in 2009 by melding legislative proposals with expected actions under the Midwest Accord. However, the Accord's efforts are not expected to produce a model cap and trade rule until August or September 2009, far later than the initial target of November 2008. The model rule will not be available for use as the basis for 2009 legislative action in Minnesota.

The 2009 session will begin with a January 15, 2009 report from the Department of Commerce and Minnesota Pollution Control Agency commissioners on key activities undertaken under the Midwest Accord. The Legislature will also receive three studies it mandated and funded in 2008. Two studies being prepared in coordination with the Midwest Governors Association are scheduled to be presented to the Legislature by January 15, 2009. One study analyzes the economic, environmental and public health costs and benefits of a cap and trade program. The second analyzes the generation of revenues to the State of Minnesota and the use of those revenues. The third study, to

be prepared in cooperation with the University of Minnesota, is to analyze governance options for determining expenditures of potential revenues to the state resulting from a cap and trade program.

One issue that certainly will garner attention is a 2008 provision of law that prohibits certain actions from occurring after August 1, 2009, if a comprehensive state rule or law is not adopted that limits or substantially reduces greenhouse gas emissions from the power sector. One prohibited action is entering into a long-term power purchase agreement that would increase statewide power sector carbon dioxide emissions. The section applies to power purchase agreements to purchase 50 megawatts of power or more for a period of greater than five years.

We are already attending meetings with legislators and key interested parties to discuss what greenhouse gas reduction actions the 2009 Legislature might consider. Other states are taking actions, and the issue will be high in the agenda in 2009 for both the new Congress and President-elect Obama's administration. The 2009 Legislature will certainly be focused on determining how it can impact those efforts on Minnesota's behalf. ■

2008 Constitutional Sales Tax Amendment Passes

Karin Holt

On election day, fifty-six percent of voters favored the ballot question known as "The Clean Water, Land and Legacy Amendment"; a constitutional amendment to raise the sales tax rate by 3/8 of one percent to protect forest, water, wildlife, and cultural resources of the state. Before the constitutional amendment was allowed to appear on the ballot, it survived more than a decade-long debate at the Legislature.

Passage of the amendment increased the state's effective sales tax rate from 6.5 percent to 6.875 percent for the next twenty-five years starting July 1, 2009. It is expected to generate an additional \$240 to \$300 million each year, for a total of approximately \$7.5 billion during its life span. The revenue is dedicated to four different areas: 33 percent to protecting wetlands, prairies, forests, and habitats for fish, game and wildlife; 33 percent to protect drinking water and water quality in lakes, rivers and streams; 14.25

percent for parks and trails; and 19.75 percent for cultural heritage and the arts. The newly-created twelve-member Lessard Outdoor Heritage Council will work in conjunction with the Clean Water Council and the Legislative-Citizen Commission on Minnesota Resources (LCCMR) to make recommendations to the Legislature on how revenues will be allocated to different projects within each of the four dedicated funding areas. The Lessard Outdoor Heritage Council will focus on fish and wildlife habitat and is named after former Sen. Bob Lessard of International Falls, who worked for a decade to promote dedicated funding for the outdoors.

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There is still much to be learned about what is truly green and how we trade off our resources to accomplish our goals. Bamboo, while a rapidly renewable resource, takes a lot of additional resources to make it to Minnesota. Is it still more worthwhile than a locally-harvested tree from a sustainable tree farm? In reality, there are probably no truly green products,

nor are there likely any truly green jobs — there are only products and jobs that have green attributes. The trick will be finding the right balance to accomplish the standards of sustainability established by whatever program(s) are eventually adopted. ■

2008 CONSTITUTIONAL SALES TAX AMENDMENT PASSES ■ Continued From Page 3

Governor Pawlenty, House Speaker Margaret Anderson Kelliher, and the Minnesota Senate Committee on Rules all made separate appointments to the Council. At their first meeting on December 1, Michael Kilgore, a University of Minnesota Associate Professor of Natural Resource Economics and Policy and Director of the Center for Environment and Natural Resource Policy, was selected as the interim chairperson. You can follow the Council's actions at: www.lohc.state.mn.us.

Critics of The Legacy Amendment argued that dedicated funding is too restrictive and not necessary. The Taxpayers League of Minnesota argued that additional funding to protect the environment should come from the state's general cause revenue, not from a dedicated tax increase, a constitutional amendment for a tax increase has never been done before in Minnesota and they believe it may allow special interest groups to control the agenda.

Despite opposition, supporters of the ballot question prevailed. They claim that for the average family of four, the tax increase amounts to less than \$5 dollars per month and will help remedy pollution problems in our state's water sources. Ultimately, only time will tell if The Clean Water, Land and Legacy Amendment will be successful. Stay tuned! ■

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