

## Bitter Legislative Session's End Is Welcome News To Legislators, Minnesotans

Jim McGreevy

Thank goodness it's over. Back in January, no one expected the 2005 Minnesota legislative session would last for a full six months, endure an eight-week special session and a week-long partial government shutdown. No one expected junior legislators would openly challenge their leaders, culminating in the creation of the "Bipartisan Rump Group" — a loose coalition of nearly 80 legislators who unsuccessfully attempted to cobble together a session-ending compromise. Finally, no one expected Minnesota Governor Tim Pawlenty to propose, negotiate and later sign an increase in the cigarette tax. This year's legislative session is testament to the fact that Minnesota politics always has the capacity to surprise.

Thankfully, not everything was discord and partisanship. Early in the session, the legislature passed the long-delayed Bonding Bill. The legislation provided some \$950 million to public and private entities for the construction and rehabilitation of buildings and other projects, including \$37 million to get the Northstar commuter rail line up and running between Minneapolis and Big Lake, Minnesota. In addition, the legislature adopted a phase-in of the "single sales factor" tax initiative. The proposal was one the businesses community has long sought. Also, DFL legislators and Governor Pawlenty compromised and created the Q Comp system — a program that allows a portion of K-12 teacher salaries to be based on classroom performance as opposed to years of service.

As usual, though, it was the controversial items that received most of the attention. The first big fight erupted over Governor Pawlenty's support of a gaming bill proposed by the state's three largest Indian tribes. Later, he drew bipartisan ire when he vetoed a transportation funding bill that

*When all the shouting was over, both sides compromised...*

would have provided a long-term revenue source for transportation infrastructure development, but also increased the state's gas tax.

This session's big honking fight was over how to close the state's \$466 million budget deficit. Governor Pawlenty fought the urge to raise taxes up until two weeks before the end of the regular legislative session. With his plan to partner with the Indian tribes in a new gaming venture losing support, he turned to the state's smokers to ante up an additional 75 cents more for a pack of smokes. Democrats accused Governor Pawlenty of flip-

## EDITOR'S CORNER

Peter J. Coyle

The memory of the recently completed 2005 regular and special sessions still lingers, which makes it hard to refocus one's thoughts on the 2006 regular session. As part of the wind-up of the 2005 special session, legislative leaders decided to delay the start of the '06 session until March 1, 2006, leaving plenty of time for emotions to cool and reflective planning to potentially occur.

As regular observers of the legislative process, it appears to us that the combined effect of partisan philosophy differences, revenue shortfalls and real spending requirements have frustrated legislative decision-making. If broad agreement cannot be reached on the maximum amount to tax and spend, it is pretty hard for individual legislators or committees to make more discrete decisions on a program-by-program basis. Even the best-intended policy objectives can be thwarted and we believe that current legislative leaders are sincerely well-intended, though they have very different approaches to managing government. Therefore, at the risk of offending those actually elected to serve in the legislature, we make this modest suggestion for reform:

Beginning in 2006, legislative leaders should empanel a joint committee of the House and Senate to consider a binding resolution establishing revenue and spending targets for

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# Political Consensus Still Lacking On Transportation Funding

Peter J. Coyle

State legislative leaders and Governor Tim Pawlenty agree that a long-term, multi-billion dollar funding plan is needed to address Minnesota's current and projected transportation funding objectives—they just cannot find a means to fund a plan that is acceptable to all. Toward the end of the 2005 regular session, Governor Pawlenty was put in the awkward position of having to veto a transportation funding bill, passed with Republican support, because it contained a proposed 10-cent-a-gallon increase in the gasoline tax. By the end of the 2005 special session, legislative leaders did agree to maintain current funding for roads, bridges and transit and to place on the ballot for voter approval a proposed reallocation of motor vehicle excise taxes. However, the objective of establishing a sustained new funding source for transportation could not be achieved.

The 2005 regular session began, as such sessions usually do, with hope and optimism for reaching consensus on broad areas of public policy, including transportation funding. The central question, which proved pivotal by the end of the session, was whether Governor Pawlenty would endorse any type of tax increase to fund transportation. He announced early in the session his support for capital bonding to assist with financing the commuter rail line between Minneapolis and Big Lake, Minnesota. Ultimately, the legislature did approve \$37 million in bonding authority for the NorthStar line. Previously Governor Pawlenty had opposed such bonding as financially unwarranted. Transportation advocates hoped that his change of heart on this project would signal a broader shift in attitude, but at the end of the session, they were left disappointed.

Throughout his term as governor, Pawlenty has maintained that he would support a dedicated

tax increase to fund transportation only if it was first approved by the voters in a statewide election. Notwithstanding support for a gas tax increase from the likes of House Speaker Steve Sviggum (R-Kenyon) and House Transportation Policy Committee chair, Ron Erhardt (R-Edina), and the virtual certainty that such a tax increase would pass in the DFL-controlled Senate, any new tax was repeatedly rejected by Governor Pawlenty.

House members, frustrated by the lack of movement on an issue regarded as critical to the health of the state, forced a vote on a gas tax increase in connection with a multi-billion dollar House spending bill. After a rancorous debate, which ended in the early morning hours, the House passed a funding package valued at more than \$7 billion over the next decade. Primary funding for the package came from the proposed 10-cent-a-gallon gas tax increase (spread over two years), a \$20 increase in license tab fees and a local option "wheelage" tax. In addition, voters would be asked to approve a major reallocation of the motor vehicle excise tax. Currently, only about half of the tax on motor vehicles goes to fund transportation, including transit. If passed in November 2006, the revenue from this tax would be permanently reallocated to transportation and transit—an increase of hundreds of millions of dollars.

Governor Pawlenty quickly vetoed the funding bill based on the tax increases. From that point forward, it became apparent that the goal of establishing a major new funding plan for transportation, as

part of the 2006-07 budget cycle, was pretty bleak.

Having been burned once on the politics of transportation funding, House leadership took care for the rest of the regular session not to allow gas tax proponents another "vehicle" for forcing a politically embarrassing vote on a tax increase. While conference committees of the House and Senate met regularly to discuss proposals relating to taxes, health care, agriculture and

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environment, etc., a conference committee to discuss unresolved transportation issues was never convened.

As has become common place in recent years, the final resolution to the biennial budget debate, including funding for transportation, was negotiated behind closed doors by legislative leaders and Governor Pawlenty. The final \$3.9 billion funding package included placing the motor vehicle excise tax reallocation on the ballot in November 2006 and maintained funding for current and immediately planned road projects. However, the net amount of new dollars allocated to transportation was only about \$40 million over the amount requested by Governor Pawlenty back in March 2005. ■

# Governor, Legislators Agree On Minimum Wage Hike

Jim McGreevy

For the last two legislative sessions, State Senator Ellen Anderson (DFL-St. Paul) authored the Senate DFL's attempt to raise the state's minimum wage. The four-term St. Paul legislator is an ardent supporter of liberal causes and, in her view, increasing the wage was at the top of the list. "We ought to be able to ensure that individuals who work hard all day are able to come home and take care of their families' basic needs without needing to rely on extra help or government assistance," Senator Anderson said during the 2004 legislative session.

She had to wait until 2005 to claim victory when Senate DFLers, House Republicans and Governor Pawlenty compromised to increase the state's minimum wage from \$5.15 an hour to a high of \$6.15 for workers of large employers starting August 1, 2005. Senator Anderson and her colleagues sought an increase of \$2 an hour over two years. However, Governor Pawlenty, House Republicans and most in the business community refused to support such a large increase.

Whether it's in Washington, where Massachusetts Senator Edward M. Kennedy sponsors a minimum wage bill every session, or a State Capitol like Minnesota's, the minimum wage is always a controversial issue. What brought such politically-diverse players as Governor Pawlenty and Iron Range liberal Tom Rukavina (DFL-Virginia) together on this issue? The biggest factor was that the wage has not been raised since 1997. Governor Pawlenty's spokesman, Brian McClung, also stated his boss viewed a \$1 increase as a reasonable amount and "the right thing to do."

Not everyone agreed with the compromise. Many in Minnesota's business community viewed the increase as a significant defeat. Buzz Anderson of the Minnesota Retailers Association is concerned the increase "pushes up all wages" since many employers use the minimum wage as a base for all other employee pay rates. Few were as blunt as State Representative Randy Demmer (R-Hayfield), though, who said lawmakers were sending the following message to Minnesota businesses: "we love to have ya here, so we can screw ya." ■

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flopping on taxes after spending the last two years accusing him of choosing his allegiance to his "no new taxes" pledge over his duty to the state. Governor Pawlenty responded by saying the DFL never met a tax they didn't want to raise.

When all the shouting was over, both sides compromised and raised the level of funding for K-12 education by 4% in each year of the biennium, did not cut anyone off the MinnesotaCare subsidized health insurance program or other public health plans, gave low-income workers a minimum wage hike, and addressed some short-term transportation infrastructure issues. What will the future bring from the legislature and the governor's office? Don't expect much. Next year's legislative session starts on March 1, 2006. In addition, all 201 legislators and the state's chief executive are up for re-election in November 2006. That means the 2006 Great-Minnesota-Legislative-Get-Together will likely be long on rhetoric, short on substance...but, at least, they're likely to end on time (we think!). ■

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## QUOTES OF THE SESSION

*The session that was ... in their own words.*

"Compromise is not a four-letter word. All the good ideas don't come from Democrats, and all the good ideas don't come from Republicans; the best ideas come from talking to each other."

— State Senator Sheila Kiscaden (I-Rochester)

"The citizens of Minnesota want us to elevate the conversation and stop shouting at each other and have civil discourse."

— State Representative Maria Ruud (DFL-Eden Prairie)

"Mr. Speaker, if you want to lower the limit to .08, I just have one question: how is a guy in my district supposed to get to work when he could very well wake up at .08?"

— State Representative Tom Rukavina (DFL-Virginia)

"It just seems like a wise thing to balance your checkbook first and then start spending."

— State Senator Larry Pogemiller (DFL-Minneapolis)

"Mr. Chair, there's a difference between having an opinion and feeling you have to express it."

— Dan McElroy, Governor Pawlenty's Chief of Staff

"I believe in every bill that I bring. But I recognize that some have greater opportunities of being heard than others."

— State Representative Joe Atkins (DFL-Inver Grove Heights)

"You'd all be talking German right now, if it wasn't for the Iron Range."

— State Representative Tom Rukavina (DFL-Virginia)

the session. The joint committee would consider policy and revenue presentations from all the affected "spending" agencies and stakeholders to establish a global budget. Full debate within the joint committee would result in a vote and recommendation of the resolution as the first item of business when the bodies of the legislature convene. No other floor action on policy or spending bills would be allowed until this process was complete. With a global budget established by joint resolution, the respective committees of the House and Senate could proceed with their work. We presume the partisan tendencies of the bodies would still manifest themselves over the course of a session. At the end of the day, however, both bodies could not raise nor spend more than authorized under the joint resolution.

Absent a willingness to consider such a fundamental reform to the process (or a wholesale turnover in the political

make-up of the legislature), the quagmire of budget-making witnessed in recent years in Minnesota seems likely to continue. The articles in this issue of *CapitolWatch* reflect this reality. In addition, Minnesota's voters are politically divided and the state's general fund, while growing, is not soon going to experience the excess funds witnessed in the late 1990s. Moreover, the pressures of elections and partisan advantage-seeking continue to grow. One would hope, perhaps naively, that the people's work might be completed in a more orderly process in the manner we propose, without intruding into the decision-making realm of policy committees, legislative caucuses and, yes, politics.

We hope you enjoy this session-ending addition of Larkin Hoffman's *CapitolWatch*. As always, we welcome your comments and suggestions for improvement in our coverage of the Minnesota legislature. ■

## Larkin Hoffman's Government Relations Department

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Mr. Seck is a shareholder and a member of the Government Relations Department at Larkin, Hoffman Daly & Lindgren Ltd.



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Mr. Seck has been an active lobbyist at the Minnesota Legislature since 1971 and has lobbied for a variety of clients and issues for governmental units and private concerns. ■

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Mr. Coyle is a shareholder and Chair of Larkin Hoffman Daly & Lindgren's Government Relations Department. He is also a member of the firm's Land Use and Real Estate Department and serves on the firm's Board of Directors.



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

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Mr. McGreevy's practice includes handling matters before the Minnesota Legislature and various state agencies. Prior

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Mr. McGreevy completed his undergraduate degree at Seton Hall University and earned his J.D. from the University of Bridgeport in Connecticut. ■