



STATE OF MINNESOTA

Office of Governor Mark Dayton

116 Veterans Service Building ♦ 20 West 12th Street ♦ Saint Paul, MN 55155

June 1, 2016

Representative Kurt Daudt
Speaker of the House
Room 463, State Office Bldg.
St. Paul, Minnesota 55155

Representative Paul Thissen
House Minority Leader
Room 267, State Office Bldg.
St. Paul, Minnesota 55155

Senator Thomas Bakk
Senate Majority Leader
Room 3113, MN Senate Bldg.
St. Paul, Minnesota 55155

Senator David Hann
Senate Minority Leader
Room 147, State Office Bldg.
St. Paul, Minnesota 55155

Dear Legislative Leaders:

After careful review and consideration, with the exception of the Omnibus Tax Bill, I have now taken action on all of the outstanding bills passed during the 2016 Legislative Session. Since your adjournment, I have heard repeatedly from both bodies, both parties, and the people of Minnesota about their strong desire for a Special Session to complete the unfinished work of the Legislature.

Over the last week, I have given considerable thought to those requests. I agree that a Special Session is in the best interest of Minnesotans. However, I will not call the Legislature into Special Session unless and until all four Caucuses agree to address the following urgent priorities for the people of Minnesota.

Transportation

The failure of the Legislature to pass either a transportation funding bill or a bonding bill in the recent legislative session was extremely disappointing. For the second year, the House and Senate were unable to agree upon vitally important long-term transportation funding, which would raise the additional \$600 million in new revenue needed for each year over the next ten years. Instead, the House Republicans' bonding bill put \$300 million of the General Fund surplus into a one-time appropriation for a handful of earmarked projects.

Those projects were evidently chosen by a select group of legislators, according to their own, undisclosed, criteria. While MnDOT agrees these projects must be done: 1) many of them are not shovel ready, and will require years of additional planning and design before construction can begin; and 2) local governments have not completed the work necessary for the state to proceed. Additionally, the total cost of the projects included in the bonding bill exceeds the amount appropriated in the bill.

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More concerning is the precedent that these earmarks of State Highway projects set for future legislatures. Picking winners and losers according to the discretion of a handful of legislators behind closed doors – instead of basing those decisions on established priorities – is not responsible.

Meanwhile many other important highway improvement projects throughout the state were left unfunded. Furthermore, the \$300 million provided in this bonding bill funds only five percent of the total need over the next 10 years. That amount is embarrassingly short of what is required to build a better transportation network that will support Minnesota's innovation economy, and generate the jobs of the future.

Before I call a Special Session, I believe it is essential for the Senate and House to first revise and reconcile the transportation sections of the bonding bills, which previously passed their respective bodies.

This reconciliation must include funding for metropolitan transit. Metro highways are already overcrowded. The additional 750,000 people, who are expected to inhabit this region in the next twenty-five years, will be forced onto impossibly congested highways, if sufficient bus, bus rapid transit, and light-rail alternatives are not developed. A regional transit system also improves the conditions of our highways, roads, and bridges by reducing congestion; provides more people more choices in how they commute and travel; and fuels economic growth.

Taxes

Since the Legislature passed the Omnibus Tax Bill, a serious error has been discovered. The attached letter from Commissioners Cynthia Bauerly and Myron Frans describes an unintended drafting error related to charitable gaming taxes. If this error is not corrected, it would cause an additional \$102.4 million reduction in revenue over the next three years and would negatively impact the State's US Bank Stadium-related revenue stream. That revenue loss to the stadium would require a new 10% gross receipts tax on stadium suite rental, effective July 1, 2016.

That \$102.4 million revenue loss in FY17-19 would reduce the two biennium-ending balances to unacceptable levels. (See Attachment.) Because of this error, I am unable to sign the Omnibus Tax Bill unless it is corrected.

I also insist that the Minnesota State High School League's Tax Exemption be permanently reinstated at a cost to the General Fund of \$800,000 in FY17 and \$1.7 million in FY18-19. The League would use those savings to provide scholarships for low-income high school students to participate in school athletic programs. These changes to the Omnibus Tax Bill need to be addressed in a Special Session.

Omissions in Supplemental Budget and Bonding Bills

There were serious omissions in the final Supplemental Budget and Bonding bills, including necessary investments in higher education and spending for critical needs. In addition, I stated I would not accept any reductions in funding previously agreed to and signed into law. I clearly stated my requirements for the Supplemental and Bonding bills

during the Regular Session. Therefore, to call a Special Session, I require that the following items be added to the bill(s) under consideration, and I must have your assurances that they will be included without changes in the bill(s) passed during that session.

SUPPLEMENTAL BUDGET ITEMS

Education and Job Creation

- **Minnesota State Colleges and Universities (MnSCU) Operating Support (\$21 million in FY17; \$42 million in FY18-19)** The \$21 million operating budget increase for MnSCU would prevent program, service and workforce training development reductions, particularly in Greater Minnesota.
- **University of Minnesota (U of M) Health Training Restoration (\$10.5 million in FY17; \$21 million in FY18-19)** The Department of Family Medicine and Community Health to support training at primary care sites and eight residency sites in Greater Minnesota would receive \$9.5 million. The School of Dentistry's mobile dental clinic, which travels primarily throughout Greater Minnesota to provide preventive and primary dental care to underserved communities would receive \$1 million.
- **Special Education Online Reporting System (\$1.686 million in FY17)** The Supplemental Budget bill canceled a \$1.686 million FY14 appropriation for the Special Education online reporting system that the department had moved to the Odyssey Fund. This reporting system would reduce the Special Education paperwork burden on special education teachers.
- **Transformation Zones/Community Partnerships (\$2 million in FY17; \$4 million in FY18-19)** Among the most effective initiatives to close educational achievement gaps are those driven by local partnerships and using proven programming across sectors affecting children and families. For this reason, I require at least \$2 million in additional funding for the Northside Achievement Zone, the St. Paul Promise Neighborhood, the White Earth and Itasca County Transformation Zones and the Red Wing, Northfield and St. Cloud programs.
- **Minnesota Investment Fund & Job Creation Fund (\$20.5 million in FY17; \$20 million in FY18-19)** I stated at the Session's outset that I would accept no reductions in funding, which the Senate and House passed and which I previously signed into law. The cuts in this year's supplemental budget bill must be restored to DEED's Minnesota Investment Fund and Job Creation Fund—two of Minnesota's most effective economic development tools. DEED is currently working on 73 projects that would create new economic development opportunities throughout the state. Without those incentives, Minnesota would risk losing 4,000 new or retained jobs, \$1 billion in leveraged private investment, and hundreds of millions of dollars in lost wages.

Public Safety and Critical Needs

- **St. Peter Security Hospital Safe Staffing (\$22.291 million in FY17; \$76.635 in FY18-19)** The supplemental bill includes no specific funding to bring staffing levels at Minnesota Security Hospital up to national standards. Additional resources are critical to end the cycle of crises that has pervaded this facility for decades, and ensure the safety of patients and workers.
- **National Guard Security Improvements (\$1.562 million in FY17)** This funding is essential to implement physical security improvements at Minnesota National Guard facilities to increase the safety of service members, employees and the public.
- **Autism Services** At the very end of session there was agreement on the Senate proposal to clarify that private insurance must cover autism services as part of the essential health benefits. Families of children with autism have a right to equal access to services, and I insist the Legislature include this clarification in the Special Session.

ADDITIONAL BONDING PROJECTS

Higher Education

- **University of Minnesota Health Sciences Education Facility (\$66.7 million)** Funding to renovate and modernize the University's aging medical and health sciences education facilities by building new, state-of-the art labs and classrooms. This will expand the University's capacity to conduct healthcare research and strengthen educational programs in order to retain and attract the best students and faculty in the nation.
- **MnSCU HEAPR (An additional \$28 million)** To repair and replace major building systems across the MnSCU system (like mechanical, plumbing, roof window and building exterior repairs) in order to reduce overall operating and maintenance costs. MnSCU forecasts \$745 million is needed to catch up with delayed maintenance needs.
- **Bemidji State University (\$12.1 million)** Funding to replace the 45-year-old Hagg-Sauer Hall with a new academic learning center and to renovate other underutilized space on campus. The new space will considerably improve the learning environment on campus providing flexible teaching space to incorporate modern teaching strategies.

Public Safety and Critical Needs

- **Minnesota Security Hospital Upgrade Fully Funded (An additional \$12.6 million)** To delay fully funding the Security Hospital would add up to \$2.6 million in additional project cost and increased operating costs. Clients would be

split between the upper and lower campuses resulting in increased staff time and less accessibility to treatment.

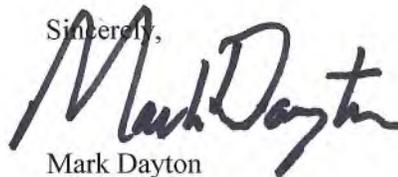
- **Minnesota Sex Offender Program Phase 2 (\$14.5 million)** To increase the capacity of MSOP's Community Preparation Services to provide for public safety as it serves the increasing number of clients in this later stage of treatment. As courts transfer more clients to the community preparation services at a higher rate, the program needs to expand capacity to accommodate the courts and the current waiting list. If the program does not have a place to move these clients, the courts may grant some other form of relief including placement in a less restrictive setting.
- **DNR Asset Preservation (An additional \$7.1 million)** To repair and rehab DNR facilities across the state, including buildings, trails, roads, bridges, public water accesses, water control structures, and for energy efficiency upgrades.
- **DNR Park, State Recreation Area and Trail Development- Vermilion/Soudan State Park (An additional \$8 million)** To construct a new visitor center and rehab the mine shaft at one of the newest state parks in Minnesota.
- **Fort Snelling Visitor Center Design and Construction (\$34 million)** For design and construction costs at Historic Fort Snelling to close its deteriorating Visitor Center and renovate a cavalry barracks building on site as the new Visitor Center, in time for the Fort's bicentennial in 2020.

Before I will call a Special Session, I must be assured in writing by all four Caucus leaders that each of these requirements will be passed without any change in the Special Session.

If these terms are agreeable, the five of us must then agree upon a date for the Session, its maximum length of time, and limitations to the bills and subject matter, which can be considered.

I am available to meet with you at your earliest convenience to discuss whether we can move forward with a Special Session.

Sincerely,



Mark Dayton
Governor

Attachments