



## **Update 5/6/10**

### **Supreme Court Ruling - Game Changer**

This week's Supreme Court ruling regarding Governor Pawlenty's unallotment changes the discussion at the Capitol. Prior to the ruling, the legislature was looking at filling a \$1 billion dollar hole - now it might be closer to three or four times that amount. The tensions and process at the Capitol this week had been ratcheted up anyway because the close of the session was near, but this ruling puts incredible pressure on them to find some solutions - and quick!

The Supreme Court ruling was limited to a small portion of the unallotment, but the implications are that others affected by the unallotment could follow suit. (To read the opinion, check out this link - [www.mncourts.gov/?page=230](http://www.mncourts.gov/?page=230) - then click on supreme court opinions in the upper right. Scroll down through those opinions a little way and you will find the entire opinion)

The Governor had asked, and we have supported, that the 73/27 payment shift be enacted into law thereby insuring that someday we would be paid back. But only the House has placed that into their education bill. There are many discussions racing around the capitol about how to fix the budget. Just know that it doesn't look good right now. As this is being written both houses are in session and battling over the financial hole that needs to be filled.

We have all known that Minnesota has a structural deficit in that it spends more than it takes in. This is going to be very difficult to fix.

### **New Reforms in House and Senate Bills**

Race To The Top is driving a bunch of language into each of the education bills following along the requirements for RTTT grants. Some of these are quite controversial such as alternative pathways for teacher licensure. The Commissioner continues to talk about another grant application and yesterday said on MPR that the decision about whether or not to submit an application will be made by May 9th.

The House Education Policy committee held a discussion about School Improvement Grants and the impact to those districts identified as lowest performing. There was compelling testimony by several districts that the changes that must be made by school district not only aren't welcome but will be harmful to the progress that is being made.

### **Pension Bills**

The various pension bills are still in motion and we expect might see some action in the next couple of days. These funds are at very low funding levels and these bills will provide some stability for the funds. The Senate passed the pension bill yesterday and it is now awaiting House action.

## **Update 5/7/10**

### **House K12 Omnibus Education Bill**

Mindy Greiling guided the K-12 Omnibus Education bill through the Ways and Means committee Friday morning. There was discussion about the alternate teacher preparation and in particular Teach For America as well. This clears the bill to move onto the house floor. There are a number of new items in this bill as we have reported in the past. Here is a link to HF 2431 - <https://www.revisor.mn.gov/bin/bldbill.php?bill=H2431.2.html&session=ls86> - understand that this will probably change when it hits the house floor and the many amendments begin to be thrown at it. But this will give you the latest in print.

### **Statewide Health Insurance**

The Education Minnesota supported Statewide Health Insurance bill passed out of the House last night. Since the bill previously passed out of the Senate, it is now on its way to the Governor's desk. Governor Pawlenty has vetoed similar bills for the last two years. Rhetoric between the Governor and the union have definitely heated up in the past couple of months and it will be interesting to see what the Governor might do but if history is our teacher we could expect him to veto it once again.

### **School District Referendums**

Late Tuesday night, the House Tax committee passed out a bill that would allow existing referendums to be renewed by the school board without going to the voters. This ability to renew levies could be continued in perpetuity however language was added that would allow voters to override the school board's extension. It would require more than 30 percent of registered voters to sign a petition to end the excess levy. If they did, then the issue would go onto the next general election in November. Look for this to take some serious debate in the next few days but Rep. Mindy Greiling, Chair of the house K-12 Education Finance is trying to help districts find ways to stay afloat during these unsettling times. This has been incorporated into HF 2431 Article 1, Section 11, Subd. 9a - or if you follow the link in this edition you can find it beginning on line 8.26.

## **Update 5/9/10**

### **State Budget Problems**

Saturday morning the Senate Finance committee took up the issue of fixing the budget hole by introducing a bill that they intend to become the vehicle bill to carry the various pieces of legislation that will be used. The Senate is using HF 2037 as the bill that will contain the fixes to the \$2.962 billion dollar shortfall. This would include all of the pieces in play today, including the Supreme Court decisions impact. The Health and Human Services Bill, if passed, will provide \$114 million in savings making this total \$2.8 billion.

The HF 2037 bill includes the K-12 shift brought into play through the unallotment process. It would have the 73/27 shift for the FY10 and FY11 years with that changing to 90/10 in FY 12 and later. This bill would also have many cuts and about \$433 million in new revenues amounting to about 20% of this budget fix.

While this bill has just been introduced, it will require quite a bit of work before it can fix the deep hole that we find ourselves in.

## **The End is Near**

Sometimes you want to yell, "Repent legislators, the end is near!" or something like that - just kidding. The end of the legislative session is only 7 days away and MREA will continue to send you regular updates. Because there is an incredible amount of activity and decisions being made at this time, we will send these updates out, maybe even daily, to keep you informed about what is going on.

## **5/10/10 Update**

### **The Big Fix Begins to Move**

The Senate debated and narrowly passed HF 2037 late Monday afternoon on a 34-33 vote. The bill would balance the state's budget by enacting the Governor's unallotments from last June which the state's supreme court ruled illegal last week. The biggest portion of the \$3 billion budget balancing act is a codification of the school payment shift and property tax recognition shift which total almost \$1.8 billion. Another \$750 million in previous unallotments are included as official budget cuts in the bill as well.

That leaves a \$450 million budget gap that everyone is hoping the federal government will close for us by sending more Medicaid funding to Minnesota. In case the Medicaid funding doesn't come through the budget plan includes a 1.25% increase on the top tier of the income tax bracket (families making \$200,000 or more each year). The income tax increase would blink off if the state's budget reaches a \$500 million surplus which could happen if the Medicaid funds arrive. In total, 85% of the HF 2037 budget balancing measure is made up of the Governor's unallotments and the remaining 15% is a DFL upper income tax hike that has been proposed each session for several years running.

Governor Pawlenty is opposed to the tax increase in the bill and has promised to veto it as soon as the House passes the bill and delivers the message to his desk. The House will vote on the measure Monday night and it will probably pass 68-66. The DFL majorities let as many of their vulnerable members off the hook from voting for a tax increase. That's why we see the thin margins for passage. Once the bill is vetoed we will be back to square one with a \$3 billion problem and just a few days to go until the session must adjourn. The large DFL majorities in the legislature could try to override the veto, but all of their members and three House GOP members would need to assist in that effort. The last time any member of the House GOP joined in an override of Pawlenty they were taken to the woodshed and two of them lost their re-elections through intra-party fights. Speculation of a special session is starting to float around the Capitol.

### **Education Issues**

In the meantime there is no action on a separate education bill. The House has a bill ready to go, HF 3833, and will likely debate it Tuesday on the House floor. The Senate on the other hand is sitting on their education policy bill in the Rules committee chaired by Sen. Pogemiller. The teacher's union is fighting vigorously to kill the Race To The Top reform provisions in the ed policy bills and has things bottled up for the time being. The pension bill is in a conference committee and is likely to be negotiated and re-passed in the next few days. The pension bill includes a phase in of a 2% increase in employer and employee contributions over the next few years that will help stabilize the TRA fund.

## **5/11/10 Update**

### **House Passes Budget Bill**

Last night the House passed HF 2037 in a 71 to 63 vote. This bill now moves onto the Governor for his consideration. His promised veto would put the legislature back to trying to figure out a solution to Minnesota's budget woes but now with only six days left.

[www.revisor.mn.gov/bin/bldbill.php?bill=H2037.3.html&session=ls86](http://www.revisor.mn.gov/bin/bldbill.php?bill=H2037.3.html&session=ls86)

### **House Takes Up Education Bill Today**

The house will take up Rep. Greiling's HF 3833, the Omnibus K-12 Education bill sometime today on the floor. With the contentious debate last night over the budget fix still fresh house representatives will surely hotly debate the future costs in HF 3833. This bill contains the "Minnesota Miracle" along with some of the education reforms that the Governor has been looking for.

[www.revisor.mn.gov/bin/getbill.php?session=ls86&number=HF3833&session\\_number=0&session\\_year=2009&version=list](http://www.revisor.mn.gov/bin/getbill.php?session=ls86&number=HF3833&session_number=0&session_year=2009&version=list)

### **Governor Vetoes Statewide Health Insurance Bill**

Governor Pawlenty vetoed the statewide health insurance bill early last evening. This is the third year that he has done so. The union and the Governor have been feuding in the past month or more with the latest being over alternate pathways to become a teacher. EdMn began airing ads against this concept and then a pro-alternate pathways group just began airing some supportive ads. In any event, this bill will probably be considered again next year with a new Governor having been seated.