



### **Budget Agreement**

Shortly before midnight last night, legislative leaders and Governor Pawlenty announced that they had reached a budget deal and that a special session would begin at 12:01am. This would give all of the parties' time to study the details of the budget balancing bill to ensure that there were no errors. Originally, they had hoped to adjourn the special session by 6am, but ultimately they decided to reconvene around 8am this morning. A couple hours later the budget bill (HF 1 2010 special session) was sent to Governor Pawlenty and the legislature adjourned the special session. The budget deal balances the budget without any new taxes or surcharges (a surcharge on hospitals and health plans had been included in the budget bill passed by the Legislature early Sunday morning). Here are the key pieces of the budget deal:

- Codifies a K-12 shift at 73/27 for the current fiscal year
- Increases the K-12 shift to 70/30 next fiscal year, but restores the payment level to 90/10 for fiscal years 2012-13 and beyond
- Ratifies the Governor's unallotments from last June
- Reduces Health & Human Services by an additional \$114 million (as did the omnibus HHS bill that was vetoed on Thursday)
- Makes no other cuts to K-12 except for a reduction in the MDE operating budget
- Authorizes the Governor to decide whether the state should opt in to Medicaid coverage for low-income Minnesotans. The authority sunsets on January 15, 2011, meaning that the next governor would briefly have the authority to make that decision. This will make the expansion of Medicaid a key issue in the campaign.

### **K-12 Bill Defeated**

The omnibus K-12 bill (HF 2072) that was hastily assembled on Saturday night / Sunday morning passed the House after a two hour debate Sunday afternoon, but was defeated in the Senate Sunday evening. Opponents argued that it did not contain sufficient reform and they also objected to a provision allowing school boards to extend existing levies without voter approval.

### **Pension Bill Signed**

After threatening to veto the pension bill due to a lack of reform, the Governor signed the bill late Saturday night. His veto threat was probably more of a stick to use to get the DFL moving toward a budget package. The pension bill phases in an increase in employer and employee contributions for TRA over the next few years.