Facing Our Fiscal Challenges

John Gunyou
### Last year's budget stalemate

<table>
<thead>
<tr>
<th></th>
<th>Governor</th>
<th>House</th>
<th>Senate</th>
<th>Legislature</th>
<th>Unallotment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Federal</strong></td>
<td>$0.8</td>
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</tr>
<tr>
<td><strong>Shifts</strong></td>
<td>$1.9</td>
<td>$1.8</td>
<td>$1.1</td>
<td>$1.8</td>
<td>$1.9</td>
</tr>
<tr>
<td><strong>Cuts</strong></td>
<td>$0.8</td>
<td>$0.4</td>
<td>$1.1</td>
<td>$0.9</td>
<td>$0.3</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td>$1.6</td>
<td>$1.6</td>
<td>$2.7</td>
<td>$1.1</td>
<td>$1.6</td>
</tr>
<tr>
<td><strong>Borrow</strong></td>
<td>$0.3</td>
<td>$1.6</td>
<td>$0.9</td>
<td>$0.8</td>
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*Governor House Senate Legislature Unallotment*
Minnesota's three fiscal challenges

Immediate
- Current Budget

Near-Term
- Next Budget

Long-Term
- Coming Decades
# State's first two challenges

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<tr>
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<th>Immediate 2010-11</th>
<th>Near-Term 2012-13</th>
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<tr>
<td><strong>Resources</strong></td>
<td>$30.1</td>
<td>$33.2</td>
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<td><strong>Spending</strong></td>
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<td>38.6</td>
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<td><strong>Reported Gap</strong></td>
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<td>13%</td>
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Former Finance Commissioners react to state’s fiscal crisis
Which revenue would you raise?

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<tr>
<th>Revenue Type</th>
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<tr>
<td>Income taxes</td>
<td>$14.9</td>
</tr>
<tr>
<td>Sales taxes</td>
<td>8.5</td>
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<tr>
<td>Corporate taxes</td>
<td>1.2</td>
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<td>Statewide levy</td>
<td>1.5</td>
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<td>Local property taxes</td>
<td>$10.1</td>
</tr>
<tr>
<td>School property taxes</td>
<td>4.3</td>
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Where would you cut $1B? $6B?

- HHS: $9.1
- K-12: $13.4
- Local Aid: $3.1
- Higher Ed: $2.9
- Other: $1.5
- Debt, Vets, Pub Safety: $3.1
The real challenge is long-term

Annual growth rate 2008-2033

- Spending:
  - Healthcare will consume budget: 5.4%

- Revenue:
  - Structural gap: 1.5%
  - 3.9%
Long-term budget challenge
growing demographic dependency

Population by age cohort (000’s)

Minnesota faces a fiscal trap
What does state need to do?

1. Balance budget for long-term
   ✓ ongoing structural balance

2. Reform major cost drivers
   ✓ healthcare, long-term care

3. Invest in productivity
   ✓ public infrastructure & education
   ✓ incent private investment

responsibly govern for the long-term
What do locals need to do?

1. Break cycle of codependency
   ✓ wean off unreliable state partner

2. Permanently reset the base
   ✓ ongoing structural balance

3. Invest in productivity
   ✓ focus on customer service

achieve long-term sustainability
What does everyone need to do?

plant more trees