NEWS from the
MINNESOTA HOUSE OF REPRESENTATIVES

LEGISLATIVE INFORMATION OFFICE, ROOM 8, STATE CAPITOL, ST. PAUL, MINNESOTA 55155 • 612-296-2146

for immediate release
Dec. 3, 1982

Contact: Nancy Miller
296-2146

Minnesota lawmakers struggle with state budget problem

Minnesota's Constitution says the state must balance the budget each biennium. So, Minnesota's lawmakers have been meeting at the Capitol in St. Paul since mid-November, trying to come up with a way to balance the state budget for the remaining six months of the 1982-83 biennium.

Economic advisor for the state, and former state economist, Hal Lofgreen, told legislators in committee meetings that Minnesota will most likely be $312 to $387 million dollars short of funds on June 30, 1983, when the biennium ends. The Legislature has to either raise the money through increased taxes, or cut back on what the state has to pay out, says Lofgreen.

Last March, after two budget repairs by the Legislature, the Revenue Department predicted that by the end of the biennium, the state would have a $127.7 million surplus. But, because the economy didn't pull out of the current depression, as expected, tax dollars won't be coming in in expected amounts. In fact, tax income for the state may be $414.9 million less than expected--a revenue loss that puts Minnesota $312 to $387 million in the red.

Reasons for the loss of projected state income are that wages aren't going up as predicted for people who have jobs, and

--more--

people all over the state are out of work, meaning personal income tax receipts the state depends on are way down.

People aren't buying as much, especially not new cars, so the state can't count on the money from sales tax, corporate income tax, and auto sales tax that come into state coffers when people are working and buying, and corporate profits are good.

Governor Quie and House and Senate leaders are talking about possible cutbacks in state aid to education, local governments, medical assistance, state agencies and state employee pension funds.

Education cuts would be at all levels--elementary, secondary, and higher education. Local governments could get less back in homestead credit payments. Medical assistance cuts may place more limits on payments for medical aid and nursing homes. State employees might have to pay the state's share into their pension funds.

Ways to raise more revenue were on committee meeting agendas at the Capitol as lawmakers looked at broadening the sales tax to include clothing and services, raising the sales tax rate, or applying more of an income tax surcharge.

Additional money could come from shifting payments to schools. As they did in the December 1981 special session, legislators could require schools to use property taxes they'd normally use for the 1984 school year to pay 1983 school year bills.

Governor Quie had named Tuesday, Dec. 7 as the date for the 1982-83 biennium's sixth special session--the third in 1982.

NEWS from the
MINNESOTA HOUSE OF REPRESENTATIVES
LEGISLATIVE INFORMATION OFFICE, ROOM 8, STATE CAPITOL, ST. PAUL, MINNESOTA 55155 • 612-296-2146

for immediate release
Dec. 17, 1982

Contact: Deborah Friedman
(612) 296-2146

Fourth budget balancing bill passes Minnesota Legislature

June 30, 1983 is the date on which the state budget has to balance. Legislators have been planning to meet that deadline since January, 1981.

For the fourth time since January of '81, legislators have passed a bill to rearrange spending and taxing so that the budget will balance by that fiscal biennium closing date of June 30.

On Dec. 10, during the third special session of 1982, lawmakers passed HF4, a bill that raises the sales tax from five to six percent until June 30, 1983, and the income tax surcharge for the same period from seven to 10 percent. Also under the new law, corporations will conform to federal tax laws on certain transactions sooner than they planned, and pay telephone transactions will be taxable.

School districts will have to use some of next school year's property tax money to pay this year's bills. State departments will see more budget cuts. The state will pay two percent less toward public employee pensions. Employers will contribute an added two percent from their salaries.

A bill similar to HF4 failed to pass the House on Dec. 7. That bill asked public employees to pay 2.5 percent of their income into pension funds, added the sales tax to long-distance telephone calls, and required property owners to pay taxes a month earlier.

for immediate release
December 17, 1982

Contact: Laura E. Godfrey
(612) 296-2146

Budget Bill Cuts $45.2 Million from Agencies

A special session budget bill passed the Minnesota House and Senate Friday, Dec. 10 authorizing $45.2 million in cuts to state agencies and institutions. The cuts will wipe out some programs and jobs, force delays in some state services and tuition increases at some state schools, agency heads told members of the House Appropriations Committee Dec. 10.

Higher education will suffer $8 million of that and tuition at community college will go up in response. State Universities, where tuition has risen 44 percent since 1980, may pass a portion of the cut on to students. The University of Minnesota will draw upon library and reserve accounts, said Stan Kegler, vice-president for financial affairs.

Health, Welfare and Corrections Department cuts fell on county social services funds, Medical Assistance, state hospital salaries and supplies, and other programs. The State will reduce payments to health care providers four percent, freeze nursing home rates, and make counties pay for social services and receive monthly reimbursement instead of drawing upon a state account.

State departments estimate the cuts will freeze some job openings and salaries, do away with free tax help, and close some state parks. The taxpayer assistance program could answer only two-thirds of the nearly one million calls it received last year. Eliminating the help when the state has just changed tax forms could mean costly delays in tax processing.

Other unseen costs are likely too, Steve Thorne, deputy commissioner, Department of Natural Resources warns. "Park closings will have a significant impact on tourism," he told the committee.

-30-

Minnesota House of Representatives Public Information Office
Room 9 State Capitol, St. Paul, MN 55155 (612) 296-2146

for immediate release
December 17, 1982

Contact: Laura E. Godfrey
(612) 296-2146

State Budget Deficit Forces $17 Million Cut in Schools

Minnesota's public schools face nearly $17 million in budget cuts, education's share of the $344.6 million the state must come up with to avoid ending the fiscal year in the red.

About $15.6 million would come out of state payments to school districts for elementary and secondary students and $1.4 million from payments for the district support of vocational-technical schools.

The budget cutting bill authorizing education and other fund reductions came out of the special Minnesota legislative session Dec 10.

Budget shifts in the legislation would credit $100 million of May 1983 property tax collections to the current school year. Those receipts would normally make up the following year's payments.

School officials met with legislators who serve on the House School Aids Division of Education Dec. 3 to discuss possible results of the cuts.

Even without the $17 million, schools will use up any cushion they have at the end of the 1982-83 school year, according to Mary Roberts, Association of Metropolitan School Districts. The average school in her group has five percent of its yearly expenses in a reserve, she said, and last year's cuts left districts five percent short.

A 16 percent reduction last year forced Minnetonka Public Schools to cut staff 25 percent or 115 people and left the district $20 from statutory operating debt. Only 12 of those people have found jobs since the end of the last school year, Superintendent Don Draayer told division members.

"We just received a bill for a half-million in unemployment claims for these people," Draayer said. "We levied for the unemployment, but obviously underlevied. We didn't expect it to be this bad."

-30-

for immediate release
Dec. 17, 1982

Contact: Deborah Friedman
(612) 296-2146

State workers to pay more, state less into pension funds

Teachers, firefighters, and other public employees will be taking over part of the state's payment to their pension funds in 1983. The pension payment is one of a number of budget ideas the Minnesota Legislature came up with on Dec. 10 to make up a projected $312 million shortfall of tax money for the fiscal biennium, which ends June 30, 1983.

Public employees have a variety of retirement plans, but they all require employees to pay a percent of their income into a fund. The state or local government adds some money, and invests the whole sum to earn interest or dividends. The state will save $62 million by having employees take over payment of the state's contribution, up to two percent of the employee's income.

One part of the bill attempts to ease the financial hurt for employees by asking the Internal Revenue Service to give them a federal tax break. The IRS rules say employer contributions and pension fund earnings are taxable when the employee takes the money out of the fund. Employee contributions are taxable as income when the employee puts the money into the fund. The bill asks the IRS to consider public employee contributions as employer contributions. This would allow them to deduct the contributions from income before figuring income tax.

The tax break would not be valid for state income taxes, therefore, not an expense for the state budget. House staff members predicted during a tax committee meeting on Dec. 9 that the IRS may take a year or two to decide whether or not the state's pension plan can qualify for the tax break.

-30-