Perspectives

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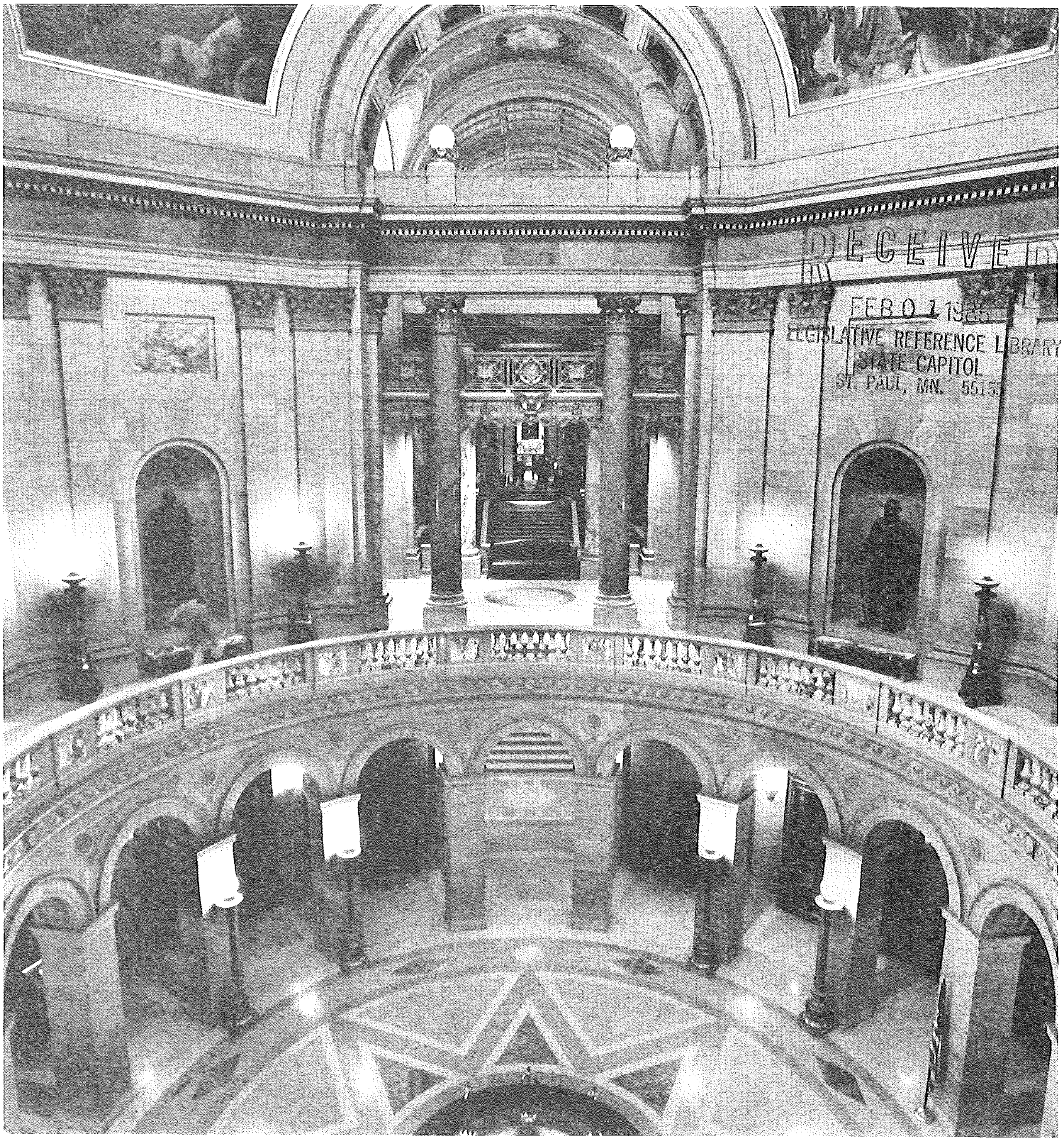

Session '85: new directions

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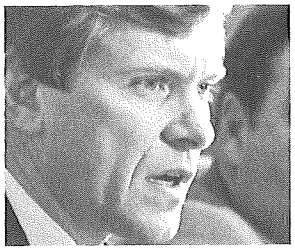

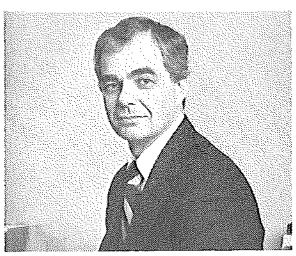

Perspectives

The January 1985 issue of Perspectives offers a preview of some of the major issues confronting lawmakers this session. In addition, Perspectives highlights the recommendations of the Tax Study Commission, outlines the state's budget setting process and offers a brief profile of Minority Leader Glen Taylor.

The Senate Public Information Office provides a weekly news summary, called Briefly, of Senate committee and floor action along with a schedule of the next week's committee hearings. To be placed on the mailing list, simply call or write Senate Public Information, Room B-29, State Capitol, St. Paul, MN 55155, (612) 296-0504.

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On the cover:

The capitol rotunda, with the Star of the North and the grand stairway leading to the Senate Chamber, will be filled with activity with the start of the 1985 Legislative Session. The capitol building, designed by Cass Gilbert, celebrated its 80th birthday, January 5th. Photo by Mark M. Nelson.

A blue ribbon tax study commission made sweeping recommendations for tax reform after completing an intensive 19 month study of Minnesota's tax structure.

photo by S. Senyk

Tax reform: a long-range plan

by Steve Senyk

For over a year, the governor's 16-member Minnesota Tax Study Commission, chaired by St. Paul Mayor George Latimer, has been structuring a tax framework that is intended to remove inequities in the system, stabilize revenue and put Minnesota in an economically competitive position. Their report, adopted December 8, has drawn considerable discussion. Senate Majority Leader Roger Moe, Tax Committee Chairman Douglas Johnson and Senate Minority Leader Glen Taylor all identified recommendations that they would not support. Governor Perpich has said, too, that he would not propose all of the commission's recommendations this session. Latimer has suggested, though, that the report is not designed to serve as tax legislation for 1985. Rather, it recommends significant changes in the state's tax structure which commission members felt could be used as a basis for future tax policy consideration.

Income tax

Commission members recommended that Minnesota income taxes be cut 20 percent—$477 million during each of the next two years. The cut would be funded by $300 million from the state's surplus and $177 million from expanding the 6 percent sales tax to clothing and personal services. (The governor has recommended a $604 million income tax cut over a two and one-half year period. Moe announced that the Senate DFL caucus supports a cut of between $400-$600 million over two and one-half years, and Taylor said the minority caucus supports significant income tax reduction.)

In examining Minnesota's income tax structure, the commission discovered that at least thirty sources of income are either taxed by the federal government and not by the state of Minnesota, or by the state and not the federal government. Commission members agreed that the modifications to the income tax raises administration and taxpayer compliance costs. Furthermore, the commission felt that the state deduction for federal taxes paid accomplishes nothing that cannot be handled in a simpler manner.

The commission proposed that Minnesota's tax base conform to the federal tax base and that the state adopt the federal definition of the taxpaying unit, which is the married

Senate Majority Leader Roger Moe and Tax Committee Chair Douglas Johnson pledge their support for tax reform at a recent capitol news conference. Below: St. Paul Mayor George Latimer, chairman of the Tax Study Commission.

couple. Thus, a family with one wage earner would not be taxed at a higher rate than a family with two wage earners.

Under the commission's proposals, Minnesota's income tax deductions and credits would conform to those of the federal government. State taxpayers would take a percentage of the federal credits: political contribution; residential energy; child and dependent care and low income credits. The commission agreed that Minnesota taxpayers would not be able to deduct federal taxes paid or adoption expenses. They decided not to recommend whether education expenses should be deductible or not. Minnesotans would have to pay taxes on present income exclusions, such as unemployment compensation and pension contributions. But, Minnesotans would be able to deduct Individual Retirement Accounts (IRAs) contributions.

Property tax

Members of the commission concluded in their report that Minnesota's present system of property classification, property tax credits, and refunds is a system that is too complex. They stated that it creates incentives for higher local spending, thus placing a higher tax burden on all Minnesotans. Members contend that the tax credit program is provided in a "crude and poorly targeted manner" and discourages efficient administration, taxpayer understanding and participation in the fiscal system."

In light of these arguments, the commission recommended that the credits be eliminated and that Minnesota's property classifications be reduced from about 70 to 3.

Minnesota's property tax relief program provides a total of $803 million in relief: $624 million in credits plus $179 million in the circuit breaker program. The commission recommended that the $624 million in credits be used for across-the-board mill rate reduction and another $179 million be used for a revised property tax relief program, which aims relief to low and moderate income people by considering property value, income and taxes due.

The across-the-board mill rate reduction proposal would also lower the mill rates on commercial and industrial property. The rates would be lowered through the proposed mill rate reduction and property relief program. Thus, the commission retained the favored status for homestead and farm property tax relief.

Minnesotans combined tax liabilities for income and property taxes would be lower under the commission's proposals. (See chart.)

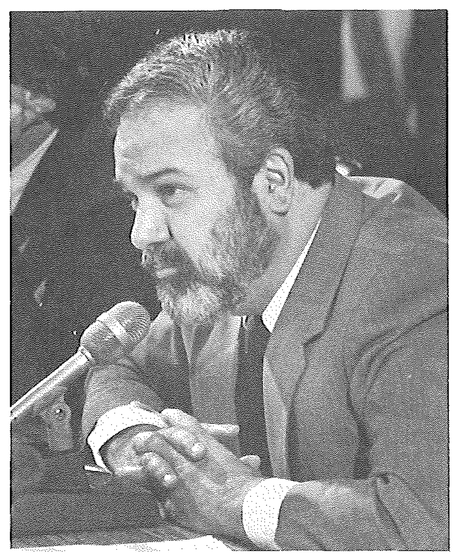


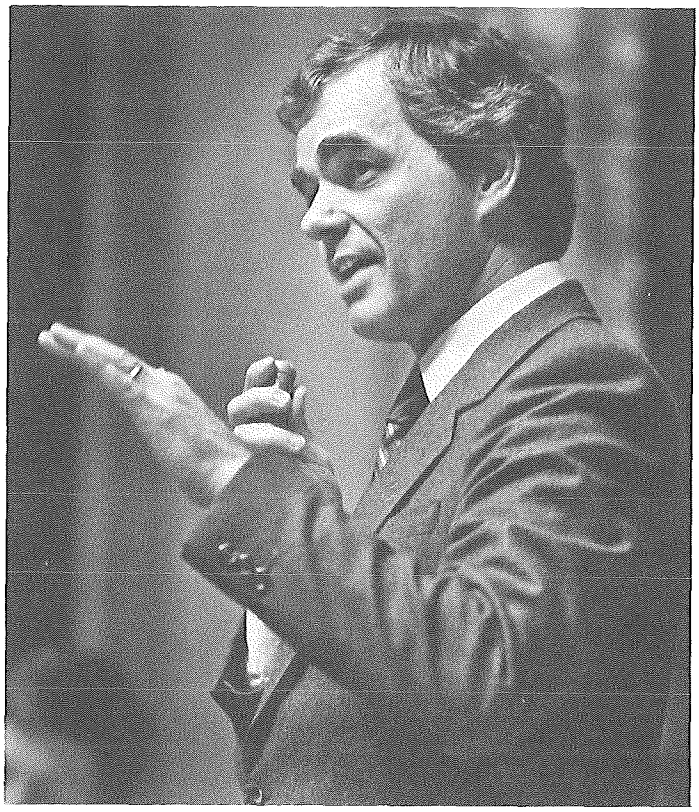
photo by S. Senyk

Sales tax

In order to stabilize tax revenue and to reduce Minnesota's reliance on income tax revenues, the commission agreed that Minnesota's six percent sales tax should be expanded to include clothing and personal services. Personal services would include services such as funerals, repairs and haircuts. This expansion would increase sales tax revenue by $177 million, which would then be used to supplement the proposed income tax relief.

Senate leaders respond

photos by Mark M. Nelson



Sen. Glen Taylor

Senate leaders from both political parties praised the commission for recognizing the need for income tax reduction, but they each indicated parts of the report that they could not support.

In outlining the Senate DFL's approach to tax reform in 1985, Majority Leader Roger Moe said, "First and foremost, we intend to pass a substantial income tax cut . . . I think you can comfortably say it is going to lie between four and six hundred million dollars. We intend to target that income tax relief to the middle income as much as possible. We do not intend to abandon a long standing commitment that we made to homeowners, to farmers and to small businesses in the form of property tax relief." He said that the DFL majority intends to simplify the income and property tax systems. But, Moe said, the DFL caucus would not support the expansion of the six percent sales tax to clothing and personal services and the elimination of the homestead and agriculture land credits.

Concerning income tax simplification, Tax Committee Chairman Douglas Johnson said that the committee is examining the effects of disallowing the state deduction on federal taxes. He said, however, "I think it is very safe to say that the tuition tax credit is safe, and that it would not be dropped under any circumstances." He added that they are also looking at adopting the federal IRA deduction, but that since only one out of ten Minnesotans have an IRA, nine out of ten people would not benefit from the tax relief.

Johnson disagreed with the commission's proposal to eliminate the agricultural land and homestead credits. "Our position would be not to do away with the homestead credit or ag land credit. We see that as being special tax relief targeted to farmers and homeowners in Minnesota . . . we think that it is important to keep those two credits."

Reducing the number of property classifications from 70 to 3 would cause massive shifts in property taxes, said Johnson, "in which the big benefactors would be large commercial and industrial properties, railroads and utilities, at the expense of farmers, homeowners and small business people."

Expanding the sales tax would be the wrong approach, said Johnson. "We think that it would also be a major mistake in 1985, when the effort is to cut taxes, to increase taxes or expand taxes in any way as has been suggested by the commission."

Minority Leader Glen Taylor said, "I like the significant approach to income tax reduction, but the commission's full report is not the final solution. " He later added, "If Minnesota is to become competitive, if Minnesota is to start stemming the loss of businesses and jobs, then down the road more steps will have to be taken to further trim taxes."

Taylor disagreed with extending the sales tax and eliminating the property tax credits. "The extension of the sales tax means some of the income tax reduction is really a tax shift. The same goes for the plan to disallow the deduction for federal taxes paid on state forms and the proposal to eliminate the homestead and ag property tax credits."

The debate on tax reform will continue throughout the legislative session, and the tax commission report will serve as a blueprint for further discussions and improvements in Minnesota's tax structure.

Combined income and property tax liabilities

Household income	Home market value	Current liability	Proposed combined tax
$ 10,000	$ 40,000	$ 396	$ 314
20,000	60,000	1,247	1,044
30,000	60,000	2,122	1,902
40,000	70,000	3,227	2,860
50,000	100,000	4,990	4,000
60,000	120,000	6,572	5,340
100,000	200,000	11,901	8,900
200,000	350,000	22,815	17,900

The information above provided by Tax Study Commission.

Senate Finance Committee Chairman Gerald Willet and fiscal analyst David Buelow stand with the budget documents developed by various state agencies and departments. During the 1985 session, the Finance Committee will review and approve state spending for the next biennium.

State budgeting is complex process

by Karen L. Clark

One of the most significant tasks set before legislators this session will be determining the state's biennial budget. The budget process, which occurs in each odd-numbered year, is a complex, time-consuming procedure and involves all areas of state government.

The process for any one state agency or department begins long before the legislative session. Staff from the agency and from the Department of Finance work for months preparing the agency's budget before presenting it to the appropriate House and Senate committees.

The preparation of the state's total budget to be set this year began in the fall of 1983, when Department of Finance controllers met with each department's staff to plan for the budget document and establish its format. During the spring and summer of 1984, Finance Department officials considered the budget guidelines set by the governor.

The last year of the biennium—in this case fiscal year 1985, which is from July 1, 1984 to June 30, 1985—is the base year for figuring the next biennial budget. The Department of Finance, using fiscal 1985 as the base year, plugs in the appropriate numbers to account for inflationary factors, employee salaries and other cost factors. The budget manual, with these figures, is then transmitted to the individual departments and agencies. Staff at those agencies then begin the actual writing of their proposals into a budget document.

Each item in a departmental budget is accompanied by a narrative description stating the goals of the particular item and explaining the reasons for the expenditure. Each state department has accounting officers and budget narrative coordinators who insure that the actual dollar figures are accurately reflected by the narrative portion of the budget document.

In May of 1984, budget narrative coordinators, accounting officers, division and staff officers of a department met to discuss the budget guidelines and the instructions for developing the governor's option list for special analysis.

Any changes in programs or policies were noted, discussed and prioritized in response to actual available dollars. Through these discussions, all alternatives were weighed and many of the toughest decisions were made. Since the governor and commissioners are firmly commited to holding the line on state spending, the priorities within each department were carefully analyzed. Thoughout the summer months and into the fall, further discussions were held involving staff from the commissioner's office.

The narrative portion of the budget was edited to highlight the reasons and methods for any changes from the previous year. Along with setting priorities for the programs and services provided by the agency, budget personnel struggled with problems of finding alternative sources of funding, perhaps through fees for service or through federal programs. The department staff further refined the document to insure that it falls within the guidelines set by the commissioner. Formal meetings were held to further refine the approved change levels and to determine more cost effective methods of delivering services.

The department's budget is then submitted to the Finance Department. Finance officials summarize all the numbers and begin analysis of the change items suggested by individual agencies.

In December, department heads and Finance officials meet with the governor to begin the final review process for each department's budget. Controllers for each agency make sure that all the numbers are correct and that the narrative portions of the budget document clearly reflect the department's recommendations and the governor's priorities. The governor then addresses a joint session of the legislature in late January and formally presents the state's biennial budget.

With the formal presentation to the Legislature, the budget setting process enters yet another complex phase. In the Senate, the Finance Committee is divided into four major subcommittees, each of which is responsible for developing a major spending bill.

Finance Committee Chairman Gerald Willet highlighted the various steps the Finance Committee members and staff take in preparing the budget measures. Each subcommittee begins by hearing overview presentations from the departments and agencies for which it is responsible. At the same time, Willet said, there is constant communication with staff from the Tax Committee in order to keep track of current and projected revenue that would be derived from the package of tax proposals being developed by the members of the Tax Committee. In addition, he said, after the beginning of the legislative session, any bills introduced that have fiscal implications are analyzed to determine the impact on total state spending.

Willet emphasized that the Senate "understands that the budget is very tight and we are committed to holding the line on budget increases. Everything is subject to change at the beginning of the session," he said, "and then to further modification as the Tax Committee moves forward."

After the governor's address in January, the Finance Subcommittees begin the line by line analysis of the actual figures and narrative contained in each budget document. Each subcommittee chairman devotes several meetings to hearing public testimony on each departmental or agency budget. Subcommittee members must then take into consideration all the background material; Finance Department, agency and public testimony in order to make decisions on individual budget items. Subcommittee members are also kept informed of current and projected revenues and must make decisions based, not only on the need for a particular program, but also on the revenue available for such a service.

At this point, each subcommittee begins the preliminary mark-up of each budget document. Members give preliminary approval to budget items and decide on appropriate budget cuts where possible. After the preliminary mark-up phase, testimony from agencies, Finance Department officials and the general public is again heard. Numerous computer runs are done to insure that all the numbers are valid and correct and calculations are made to assess the effect of various spending alternatives.

Once the preliminary figures are input, the bill drafting process is initiated. Each subcommittee develops one large bill for approval by the members of the subcommittee, and amendments, or changes, to the bill may be made at any point.

After approval by members of the subcommittee, the bill is sent to the full committee and then on to the full Senate. At the same time a similar process is occuring in the House of Representatives. However, House members may have a final version that differs dramatically from the Senate version. After passage by both bodies, each bill goes to a conference committee where differences between the two versions are worked out. When a compromise has been reached, each body must repass the measure and forward it on to the governor. The governor has the option, on spending bills, of using a "line item veto." That is, if there is a particular item in an agency's budget that the governor is strongly against, he may veto that particular item without vetoing the entire package. Once the governor does sign the bill, the state's budget is set for the entire biennium.

photos by Mark M. Nelson

Senate Finance Subcommittee members meet to complete the line-by-line analysis of state budget documents.

The first day of the session, January 8, members of the Rules and Administration Committee, chaired by Sen. Roger Moe, met in room 15, the newly refurbished hearing room directly beneath the capitol rotunda.

photo by Mark M. Nelson

Policy committees to tackle vital issues

by Steve Senyk

Minnesota legislators will begin the 1985 session with several major issues before them. The Minnesota Tax Study Commission has presented its tax reform package, and lawmakers on both sides of the aisle have made tax cuts a top legislative priority. State lawmakers will determine the state's level of spending for the coming biennium, and finances will need to reflect possible changes in state revenue. In addition, many farmers are financially depressed, the unemployment insurance compensation fund is still in the red, the state's elderly population is growing, and many state bridges are deficient. This article highlights only some of the several legislative issues to be discussed this session.

Agriculture and Natural Resources

Farm financing

According to a recent Department of Agriculture survey, it is reasonable to assume that 35 percent of Minnesota's 100,000 farmers will be forced out of farming within five years due to financial difficulties. Agriculture and Natural Resources Chairman Gene Merriam said his committee will be looking at various proposals designed to help the farmer.

The department's survey indicated that about 70 percent of Minnesota's farmers have loans. Twenty-five percent of those farmers have a debt vs. asset ratio above 70 percent. That means for every ten dollars they have, they owe at least seven dollars to a lending institution. Department officials reported that those farmers can reasonably expect to be out of business within two years. Twenty-six percent of the farmers with loans have a debt vs. asset ratio between 40 to 70 percent. "These people are losing net worth and are in danger of losing their borrowing ability and their ability to farm," reported a statement issued by Agriculture Commissioner Jim Nichols.

Last session, the Legislature enacted farm land tax relief and other programs that addressed other farm problems, such as agriculture land preservation and conservation. But the department's survey indicated that farmers want additional solutions.

Eighty-three of the farmers who responded to the survey want the state to market Minnesota products more aggressively; 74 percent would like the state to increase the number of Minnesota food processors; 61 percent want tax incentives to encourage land owners to sell or lease land to beginning farmers; 57 percent want minimum price standards; 55 percent want incentives to agriculture lenders to restructure farm debt; and 54 percent want research in new crops and farming techniques.

Combined sewer overflow

Lawmakers will be reviewing the problem of combined sewer overflow. St. Paul, Minneapolis and South St. Paul have some combined storm and sanitary sewers, which sometimes increases polluted discharge into the Mississippi River. Normally, the combined wastewater is sent to a treatment plant in St. Paul. However, when rainflow is heavy, the wastewater overflow is diverted into the Mississippi River because pipes leading to the plant are not large enough to hold all of the discharge. The federal Clean Water Act prohibits the discharge of untreated sewage into any of the nation's waterways. The discharges can be eliminated, according to the Metropolitan Council, by completing a storm and sanitary sewer separation program initiated by the three cities, or by collecting, storing and treating all of the combined stormwater and sewage. The Council proposes legislation to establish a state construction grant program to provide financing for accelerating the separation of the sewers. Merriam said his committee will study how critical the problem is; what the practical limitations are of taking action; and who is going to pay for the separation.

Superfund

In 1983, the Legislature created the Environmental Response and Liability Act, better known as the "Superfund" law. It was enacted to provide a tool for speeding the cleanup of hazardous waste sites; to create a fund to help pay for the cleanup; and to hold parties responsible for damages caused by the release of hazardous waste. The business community is asking for the law to be reviewed because they claim companies are finding it difficult to obtain environmental impairment liability insurance.

The law holds a company strictly liable for consequent injury due to the disposal of hazardous waste, whether or not the company was negligent in its actions. Also, businesses are held liable retroactively for wastes dumped since 1960. One of several companies responsible for injury can be required to pay more than its share of damages if other companies are unable to pay. The Minnesota Commerce Department is studying the availability of impairment liability insurance in Minnesota as compared to other states. Merriam said the committee will review the issue if Minnesota businesses are having a problem obtaining insurance.

Solid Waste

In addition, Merriam said the panel will also be reviewing proposals concerning solid waste landfills in the metro area. The Metropolitan Council has set a goal of eliminating solid waste landfills in the Twin Cities. The Council's plan is to reduce the amount of waste generated within the metropolitan area and to recover useful materials and energy. To help achieve the goal, the Council recommended that the Legislature enact laws that would eliminate the land disposal of unprocessed waste within the metro area by 1990; require the separation of yard waste and recyclable materials at the source by 1988; and increase financial support for waste recovery and reduction programs.

The Metropolitan Council believes the proposals would help conserve landfill space, reduce the number of new landfills; and reduce the environmental risks caused by landfills. In addition, they feel the state funds would encourage more effective waste recovery programs by helping local governments finance the programs through their initial stages.

Commerce and Economic Development

Interstate banking

A 1956 federal law prohibits bank holding companies from purchasing banks in another state unless the state has enacted a law permitting interstate banking. The Legislature has considered bills that would permit various forms of interstate banking, but no enabling legislation has been enacted. Committee Chairman Sam Solon said he is expecting legislation to be introduced again this session and that the Commerce and Economic Development Committee will review the issue.

Proponents of interstate banking argue that banking service improves when larger banks are able to move into a market. They argue that expansion increases competition, resulting in reduced loan interest rates and increased deposit interest rates in those markets. Also, since larger banks offer more services, the variety of services and availability of credit may increase. Furthermore, proponents feel that regional interstate banking, or interstate banking restricted to states within the same region, would be more beneficial because of the economic similarities within the regional states.

Opponents argue that competition would decrease and that smaller banks would struggle because of the competition from larger banks.

MEED program

The 1983 Legislature enacted the Minnesota Emergency Employment Development Program (MEED) to address Minnesota's high unemployment problem and to stimulate economic growth. The program pays employers up to four dollars an hour for wages and one dollar an hour for fringe benefits for each person hired. As of October, the program had placed nearly 19,500 of the 87,000 eligible applicants. The program is scheduled to end December 31, 1985. Solon said that the committee has been looking at the progress of the job program.

Without the emergency jobs program, some program participants will have to be placed in the care of counties' general assistance programs. According to Peggie Jackson, management analyst for the MEED program, 38.8 percent of the participants enrolled in the program would be eligible for General Assistance, which would burden counties' GA programs. Solon indicated that funding the program will be an issue if lawmakers determine that it should be continued.

Education

Task force reports

Education Committee Chairman James Pehler said that the committee will be reviewing several reports mandated last year. A task force on arts education is examining the current status of public school arts education programs. The panel is studying the question of whether there is a need for improving or expanding the programs. In addition, the task force is assessing the need and benefits of establishing a School for the Performing Arts.

The Minnesota Higher Education Coordinating Board is studying teacher education programs in the state. The board will report on the quality of the present programs and recommend ways to improve teacher preparation programs.

In addition, a legislative commission is conducting a bargaining impasse study. Commission members are investigating the collective bargaining process in the public school system, and will make recommendations for ways to improve the negotiating process.

Lawmakers will review a report on the micro-computer pilot project. Currently, Minnesota school districts must report all district financial information to the Department of Education throught the use of a main computer system. The Legislature requested that several districts experiment using a micro-computer to collect and report the information. Their report on the experiment will come before the 1985 Legislature.

Public education reorganization

The Minnesota Business Partnership has issued several recommendations reorganizing public education in Minnesota. The recommendations include requiring students to complete a core program in communication, social studies, science and mathematics; allowing high school students in grades 11 and 12 to attend school programs of their choice; and revising teacher preparation requirements. Pehler said the committee will be looking at the Partnership's recommendations.

For the past few years, the Legislature has been encouraging local involvement in setting educational goals in order to improve instruction. Teachers have become involved in administrative goal setting. School districts as well as school personnel have become more involved in planning, evaluating and assessing educational goals. Senator Pehler said his committee will continue to study ways to stimulate local management in setting and assessing curriculum development.

Pre-school education

Last year, lawmakers reviewed a bill that would mandate school districts to establish and coordinate educational services for pre-school handicapped children. Members of the Education Committee requested a fiscal impact analysis of the program. The bill, which required school districts, counties and other local units of government to work together to provide the services, was intended to stimulate the children's developmental abilities to enable them to be at an optimum learning level when entering school. Pehler said the issue is likely to be reintroduced this session.

Education aids

Members of the Education Aids Subcommittee will be put to the task of setting the foundation aid formula allowance for the next biennium. The 1985 allowance is $1,585 per pupil unit and the mill rate is 23.5 mills. (Mill rate is the level of property taxation. One mill is .001 of one dollar. In 1985, each taxing unit of property is taxed 23.5 mills for educational purposes. Per pupil unit is a measurement used to determine student enrollment. Kindergarteners are considered .5 of a pupil unit; elementary students are 1 pupil unit; and high school students are 1.4 per pupil units.)

Elections and Ethics

Study of the Legislature

Last session, the Elections and Ethics Committee asked the Humphrey Institute to conduct a study of the Legislature's structure and performance. Headed by Dr. Royce Hanson, the study will include a close examination of the Legislature's organizational structure, size and procedures. To supplement this two-year study, the institute will be conducting a variety of seminars on the legislative process. Different guests will be invited to speak on issues relating to the legislative process.

In conjunction with the study, the Elections and Ethics Committee will be holding various informational hearings to solicit comments from experts on issues relating to Minnesota's Legislature: size, structure and the length of members' terms. Committee chairman Jerome Hughes said the committee will invite former lawmakers and governors to discuss the issues this session.

Recodification of campaign laws

The Secretary of State's Office has created a task force for the purpose of recodifying laws relating to fair campaign practices and election contests. Task force and committee staff member Kathy Foley said their recommendations will come before the Legislature this session.

Employment

Unemployment insurance fund

Last year, lawmakers failed to resolve the problem of the unemployment insurance compensation fund deficit. At the beginning of the 1984 legislative session, the deficit was $425 million. It has shrunk considerably because of increased economic activity, increased federal tax collections and lower unemployment rates. The state must pay ten percent interest on part of the deficit. In 1982, the federal government imposed a flat unemployment penalty tax that affects employers equally and is not based on an employer's experience of having laid off workers. That tax increases yearly until the loan is paid in full. Eliminating the deficit is necessary to relieve business owners of the federally imposed tax. However, if lawmakers increase the employers' unemployment compensation payroll tax, the owners will be paying higher taxes in addition to paying the federally imposed tax.

Employers claim the program's benefits are too costly. They want lawmakers to review the program's accessibility—the requirements a worker must meet in order to become eligible for compensation; the duration of benefits—how long an unemployed worker can receive benefits; and the benefit levels—how much a worker receives when unemployed.

Senator Florian Chmielewski, chairman of the Employment Committee, said the issue will be among the committee's top priorities this session. He said committee members will be looking at ways to alleviate the federally imposed tax.

Minimum wage backlog

Commissioner Steve Keefe of the Department of Labor and Industry has indicated that he would like to reduce the backlog of cases filed against employers for failing to comply with the state's minimum wage laws. The Legislature would need to pass legislation to enable the department to expedite the review process. Chmielewski said the committee will consider legislation to assist the department.

Comparable worth

The Legislature passed a law last session requiring local units of government to evaluate jobs by conducting comparable worth studies. They were also required to set up equitable pay schedules between female-dominated, male-dominated and balanced classes of employees by August 1, 1987. The intent of the law is to eliminate the differences in pay between classes of employees whose jobs are considered to be of comparable worth. Chmielewski said that conforming to the law will place large costs on local units of government. He said that the state should be responsible for "picking up the costs we have forced upon local governments." He added that he would like his committee to study the issue.

Energy and Housing

Alternative fuels

Minnesota's dependence on imported fuels has been a concern for lawmakers and citizens for years. Reducing Minnesota's dependence on those fuels would help fight increasing energy costs and help Minnesotans and Minnesota businesses save money. However, to date, alternative fuels have not developed into economically suitable sources of energy. Moving alternative fuels from the experimental stage to the useable stage has proved costly. According to committee staff, committee members will continue to examine ways to make energy sources such as hydropower, wind power, fiber fuels, and recycling waste-to-energy more economically prudent and attractive.

The current state tax credit for alternative energy sources ends this year, and committee staff said lawmakers would have to enact legislation to allow the credit to continue.

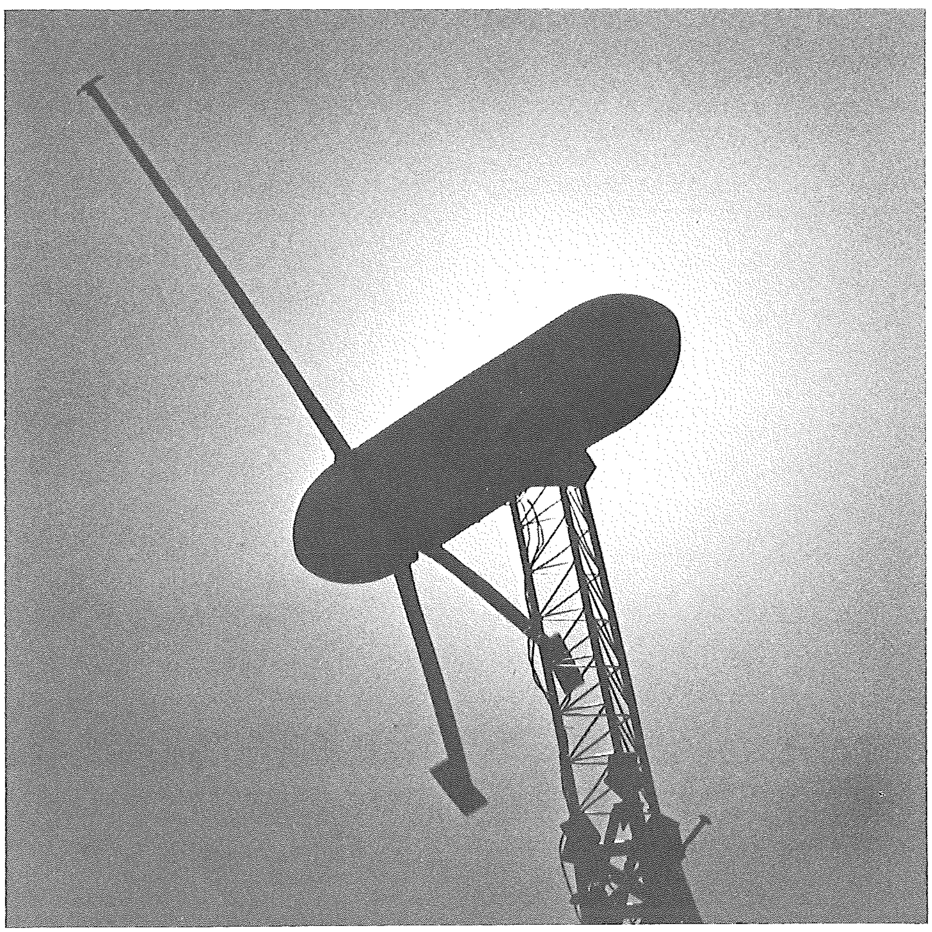
Cogeneration

A 1978 law encourages small producers of power, or cogenerators, to produce electricity by requiring the larger utilities to buy power from the wind generator owners and the hydropower producers. The utilities are required to pay the small power producers and cogenerators the costs the utilities avoid by not having to build additional generating capacity. The assumption is that the consumer will pay the same price for the power, and small producers of electricity will have the incentive to produce the alternative source of energy. However, the problem is determining the amount of avoided costs. A Senate subcommittee is studying the issue and preparing recommendations that would help determine ways to calculate avoided costs.

Housing for the elderly

Another issue that will come before the committee, according to staff, is the cost and availability of housing for the elderly. In the next five years, 650,000 people who head households will reach sixty years of age. According to Monte Aaker, researcher for the Minnesota Housing Finance Agency, this increase will increase the need for additional rental housing for the elderly. Federal policy changes have resulted in the reduction of approved contracts for the construction of subsidized housing for senior citizens. In 1978, HUD approved the construction of 20,000 units under the approved federal section 202 senior housing program. That number has been reduced to 10,000 units in 1984. Aaker said that meant only 40 units would be constructed this year in Minnesota.

photo by Mark M. Nelson



Lawmakers will be reviewing ways to insure that alternative energy sources, such as this wind generator, can be developed into economically suitable sources of energy.

Governmental Operations

PERA

The Governmental Operations Committee, chaired by Senator Don Moe, has been investigating the management practices of the Public Employees Retirement Account (PERA) because of alleged improper acts by some board members and staff. As a result of several interim hearings, Moe said that, "There definitely will be significant changes in the organization and administration of PERA." Any proposed changes will be considered by the committee.

Constitutional officers

Different proposals to merge the state constitutional offices of Secretary of State, State Auditor and State Treasurer failed last session. Moe said that the issue of eliminating some of the offices is a "likely prospect for legislation." Past proposals included creating one position of "State Comptroller" to replace the functions of the three offices.

Metropolitan Council proposals

The Metropolitan Council has proposed that the Council be allowed to appoint the chairs of the Regional Transit Board (RTB) and the Metropolitan Waste Control Commission (MWCC), and that the Council be allowed to prepare guidelines on the practices and procedures of the two agencies. Moe said that the committee will consider their proposals along with other matters relative to the Met Council.

Salaries

Moe said the committee will also be looking at the pay rate of the state department heads. Proponents of increasing pay for state commissioners claim that higher salaries are necessary to insure that the most qualified people are interested in working for the state. The pay bill would also include some minor changes to the current salary structure, said Moe.

Legislative commissions

The Governmental Operations Committee will be considering eliminating some legislative commissions. "I am going to move for the elimination of some legislative commissions. My belief is that we have burdened the Legislature with too many legislative commissions and in doing so have detracted from standing committees," said Moe. Moe did not indicate which commissions the committee would consider eliminating.

Health and Human Services

Deinstitutionalization

In 1980, the state of Minnesota reached an agreement with a state hospital patient concerning allegations of failing to provide adequate institutional care. The agreement, referred to as the Welsh vs. Levine consent decree, called for the deinstitutionalization of state hospital patients. The intent was to move the patients into home-like community facilities. Thus, the state must reduce the state hospital patient population to 1,859 by 1987. According to the Department of Welfare, state hospital patients numbered 2,155 as of June 30, 1984.

The State Planning Agency is preparing recommendations to ease the effects of deinstitutionalization on state employees and communities where the hospitals are located. Health and Human Services Committee Chair Linda Berglin said committee members will review the agency's report and consider appropriate actions.

Nursing home reimbursement

The 1983 Legislature altered the nursing home reimbursement system in order to curb long-term nursing home costs. The old reimbursement method, referred to as a cost-based system, reimbursed nursing homes solely on their expenses. Thus, the state was reimbursing the homes for costs of patient care as well as improvements made to the homes. The 1983 Legislature altered this system to better reflect the rental cost of the property and the operating cost. They structured a two-payment system. First, nursing homes would be reimbursed according to a reasonable value of rental for the nursing home property cost. Secondly, the home's operating costs would be based on the level of care a patient requires. Thus, a home would be reimbursed at a higher rate if the level of care for the patients is greater. This "case mix" reimbursement system would also apply to mentally retarded residents. A national firm is presently calculating ways to help the state better determine the level of care required for patients. Berglin said the state and lawmakers will continue to monitor the implementation of the new reimbursement system to insure that long-term costs are contained.

Berglin said that the committee will be closely watching the success of the state's equal rates requirement under the nursing home reimbursement system. She said the law was enacted to insure that rates to private patients and public patients are equal and that private patients are not over charged.

Home health care services

The state has set policy encouraging alternatives to institutional care for senior citizens and mentally retarded persons. As a result, there has been a significant growth in home health care services. In response to this growth, the Department of Health created a task force to examine ways to insure adequate home health services. The task force has formed recommendations, which include the licensing and regulation of home health care service agencies or providers. The committee will review their recommendations, said Berglin.

Child care

Berglin said that legislation to help more counties provide child care programs could come before the Legislature. During the last two years, the Legislature has appropriated about $3 million to help counties provide child care programs for low-income families. From that allotment, twenty-four counties were able to establish some level of subsidized child care. However, the amount allocated is far short of the demand. The Department of Health estimates that $40 million is needed to meet the need of subsidized child care.

Strategy on aging

In 1979, Minnesota ranked first in the nation in medicaid reimbursement days of nursing home care. Currently, 60 percent of the state's medical assistance budget goes to institutional care. Only one percent is spent on community based services. The 1983 Legislature put a moratorium on the construction of nursing homes and implemented a preadmission screening program in order to encourage the development of community based services. The intent was to contain medical assistance costs by developing less expensive community based services.

The Strategy on Aging Task Force was also created to review programs that would be more effective and less costly than institutional nursing programs. The task force has recommended that an income support program for the elderly be developed to encourage independent living; that the Legislature provide incentives to encourage the planning and delivery of social services to the elderly; and that incentives be provided to encourage independent or semi-independent living arrangements for the elderly. Berglin said her committee will consider the recommendations.

Judiciary

Drinking age

Minnesota will have to raise its drinking age to 21 or face the possibility of losing federal highway funds, according to a federal law enacted last July. Minnesota would lose five percent of its federal highway funds if the age is not raised by October 1, 1986. An additional five percent would be lost if the age is not raised to 21 by October 1, 1987. Senator Allan Spear, chairman of the Judiciary Committee, said that if members agree to conform to the federal mandate, the committee will follow the governor's recommendation of complying with the law uniformly with other states to avoid potential border problems.

photo by L Salzman

Legislation regulating home health care services is just one of the many issues that will be before the Health and Human Services Committee.

Juvenile code

Spear said that his committee will spend considerable time studying the governor's task force recommendations to revise the juvenile code. In recent years, counties have begun to move away from putting juvenile offenders through the court system and move toward out-of-court programs. Programs have been established to allow juvenile offenders to work out an agreement with the victim for compensation of losses. In addition, counties are trying to avoid out-of-home placement of juveniles and establishing programs to help both the family and the juvenile in the home. The task force is reviewing how the criminal justice system treats juveniles and whether the punishment is adequate or too harsh in various areas.

Crime victim's rights

An attorney general's task force is studying the issue of victim's rights and is expected to present recommendations that would help crime victims deal with crime and also determine to what extent the victim should be involved in the judicial process. The 1983 Legislature enacted a law to allow victims of crime to become more involved in the judicial process. The law required the prosecuting attorney to inform the victim of a plea agreement and of the victim's right to express, in writing, any objections to the agreement. The victim was also given the right to request restitution. Spear said that his committee will study the task force recommendations in light of action that was taken previously.

Court unification

Last session, the Judiciary Committee defeated a proposal that would unify the county and district courts. The issue could be discussed again this session, Spear said.

Child abuse reporting

The Minnesota Legislature enacted a law in 1982 requiring professionals responsible for children's care, such as teachers, social workers, doctors, and other child care professionals, to report suspected child abuse to the local welfare or law enforcement officials. However, Judge Charles Porter of Hennepin County dismissed the charges in a recent case, stating that the state law was too vague. Porter ruled that the law was inconsistent because it mandated reporting when a person had "reasonable cause to believe" that a child was abused. In another subdivision of the law, it requires a person to report "suspected" abuse. Spear said the committee will work to clarify the law.

photo by Mark M. Nelson

Judiciary Committee members will be examining a number of important issues this session, ranging from raising the drinking age to revising Minnesota's juvenile code.

Local Government

Urban expansion districts

The League of Minnesota Cities has asked the Legislature to create a task force to address the problem of delivering services to new residential areas expanding outside a city's boundaries. To provide services to the new resident, cities would rather annex the area. However, the townships where the residential areas are located, would rather contract with the city for services. Also, some townships choose to obtain urban township powers in order to be granted the powers of a statutory city.

The Coalition of Outstate Cities has requested a committee hearing on their proposal to create urban expansion districts to address the problem. They contend that planning for and serving urban or urbanizing areas should remain with the cities. Their proposal would allow the city council to designate urban expansion districts to be reserved for expansion. Thus, new residential areas would be able to annex the area.

Schmitz said the committee will look at the issue this session, and if it is necessary, to continue working out a solution during the interim.

Public Utilities and State Regulated Industries

Universal phone service

Last year's breakup of the world's largest corporation, American Telephone and Telegraph, was a result of a consent agreement that ended an eight year old antitrust suit by the Department of Justice against AT&T. The agreement called for the divestiture of AT&T's wholly or partially owned subsidiaries into seven independent regional companies. Each of the regional companies must provide local phone service without the financial support of AT&T.

When Northwestern Bell was AT&T, high local phone costs were offset with subsidies from long distance and business service premiums as well as revenues from equipment sales. Local phone rates did not reflect the actual costs. As a result of the divestiture, local phone companies were forced to set higher phone rates in order to cover the costs of providing local phone service.

Because of the higher local phone rates, committee members are concerned that low income people are finding it more difficult to afford phones. Even though the federal government is mainly responsible for handling issues that affect the divestiture, states could become involved in enacting laws to help low income people meet phone costs. According to committee staff, members of the committee will study ways to insure that everyone can afford a phone.

Transportation

Gas tax proposals

The Department of Transportation has proposed that the Legislature consider indexing the motor fuel tax to allow it to automatically adjust, once a year, to offset declining motor fuel revenues. According to a department report, road funds fall as consumption of motor fuel declines. Lower funds decrease annual highway work programs, and the department anticipates a continual decline in consumption. Minnesota's fuel tax is the main source of highway funding, and the department said that the indexing is not intended to be a tax increase to do more highway work, but an increase to maintain a constant level of work. (Minnesota's current gas tax is 17 cents per gallon.) The committee will review the department's proposal, said committee chairman Clarence Purfeerst.

Purfeerst said that it is likely legislation will be introduced to increase the tax on leaded motor fuel and lower the tax on ethanol blended gasoline. The tax on leaded fuel would be to discourage consumption, thus decreasing the amount of pollutants resulting from the burning of the fuel, he said. The incentive for ethanol fuel consumption would aid Minnesota's economy, he said.

Motor vehicle excise tax

To help boost highway funds, the 1981 Legislature decided to transfer the motor vehicle excise tax from the state's general operating fund to the highway distribution fund. That transfer was to phase in over an eight-year period, with 75 percent of the dollars going to highways and 25 percent to transit. However, during the budget shortfall years, the Legislature delayed that transfer. Thus, money obtained through the vehicle sales remained in the general operating fund to help meet budget shortfalls. Last year, lawmakers voted to speed up the excise tax transfer to the highway fund. However, the state is still pressed for additional highway dollars. Purfeerst said he is introducing a bill to accelerate the transfer of the vehicle excise tax to the highway fund.

Ten-ton routes

Members of the Transportation Committee will also consider a proposal to increase the number of ten-ton truck designated routes in the state. Five-axle ten-ton trucks are restricted to certain routes in Minnesota because their weight erodes roads more quickly and reinforced construction is needed. However, according to Purfeerst, semi-truck drivers contend that access to areas within the state is limited because too few ten-ton roads are designated. Because of the state's dependence on the trucking industry, Purfeerst said legislation to increase the number of ten-ton routes is forthcoming.

Bridge repair

The Minnesota Department of Transportation has labeled about 4,000 bridges as "deficient." These bridges will have to be replaced or repaired within the next few years in order to be operational. Purfeerst said that a bridge bonding bill will be introduced to increase the amount of funding for bridge repair.

Light rail transit

Several proposals supporting the creation of a light rail system in the Twin Cities have been introduced in past sessions. Purfeerst indicated that legislation could be introduced again this session, but he said that lawmakers might not be willing to fund a light rail project, especially if no federal dollars are available.

Veterans and General Legislation

Long-term care

The 1983 Legislature required that the Department of Veterans Affairs conduct a study to review the need for developing long-term care services for Minnesota veterans. Currently, Minnesota has about 105,000 veterans who are over the age of 65. By the year 2000, that number will increase about 50 percent to 157,000. The number of veterans over age 80—those most likely to need long-term care services—will increase from the current 5,500 to over 60,000 veterans by the year 2000. While the department's task force recommended that the current long-term care system in Minnesota is sufficient to meet the needs of most elderly veterans, they recommended that more attention be directed to contracting with private nursing homes for veteran care. (About 4,000 Minnesota elderly veterans are in long-term care facilities; however, only 6.5 percent of those are in the two state veterans homes. The other veterans are in private or federal VA facilities.)

The task force recommended that the state concentrate on developing non-institutional long-term care service for the elderly veteran and the younger disabled veteran. The committee, chaired by Senator Bob Lessard, has been holding hearings on the task force's recommendations.

Big Island Veterans Camp

The Big Island Veterans Camp on Lake Minnetonka has been a center of controversy during the past few years. Discussions have centered on whether the Island should remain exclusively for veterans or be sold to the Hennepin County Park Reserve District for use by the general public. The camp is in need of several improvements, and funding is not available for those improvements. Committee staff said the issue will be discussed again this session.

Bingo limits

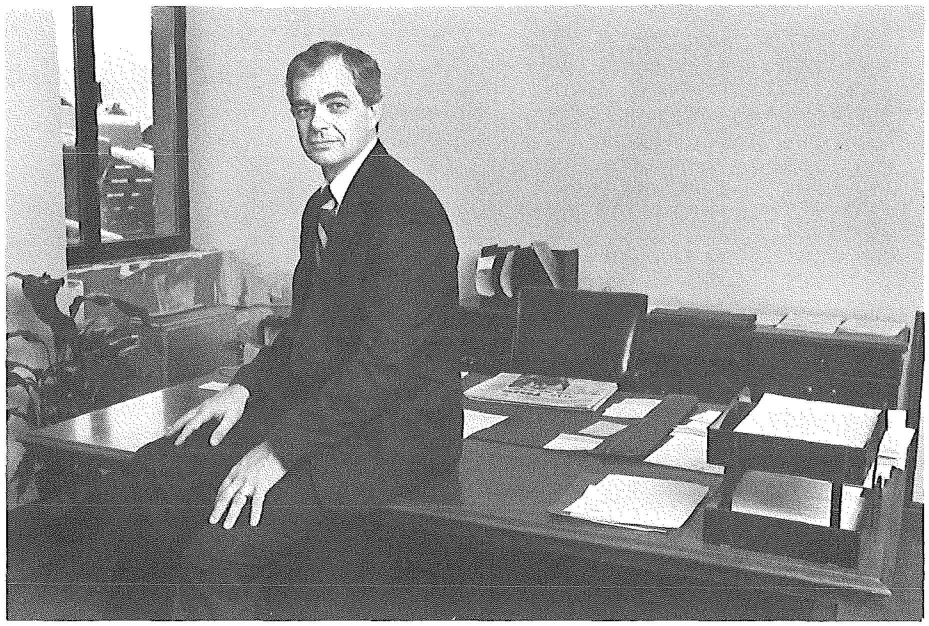
The committee will also be looking at whether the prize limits for bingo should be raised, committee staff said. Veterans and fraternal organizations located near bingo halls on Indian reservations cannot attract players because state law restricts the amount of prizes that can be awarded. (State law does not apply to the bingo halls located within the reservations.) Thus, nearby organizations are having a difficult time raising money.

Animal abuse

The committee will also be looking into how well the state protects animals from abuse. In the past few years, several cases of animal abuse have occurred throughout the nation, and staff said the committee wants to be sure that Minnesota's laws effectively guard against animal abuse.

Taylor to lead Senate minority

photo by Mark M. Nelson



Sen. Glen Taylor

by Karen L. Clark

The start of a new legislative session always brings promise of change and new beginnings. The start of the 74th Legislative Session is no exception. For the Minnesota Senate, one of the most significant changes is the selection of Glen Taylor as the new leader of the Senate Independent-Republican Caucus.

Taylor's election was brought about by the resignation, effective January 9, of Sen. James Ulland. Ulland resigned in order to take the position of Vice-President of Corporate and Internal Communications with the First Bank System.

Independent-Republicans met November 16 to hold an election for the minority post. Sen. Glen Taylor emerged as the new Senate minority leader.

Taylor, a businessman from Mankato, characterized his new role as that of a facilitator. "I intend to use the strengths of individual members; to allow individual senators to use their best talents in solving problems before the Legislature."

In addition, Taylor said that he felt he had "the ability to work with any senator or representative . . . to use the 'art of compromise' to arrive at workable solutions." He said that it was his intention to select the best people from the caucus to work on specific legislation.

Taylor said that the primary goal of the caucus for the 1985 session is to provide sound alternative proposals to those offered by the DFL majority. The IR senators will formulate those alternative proposals through the committee process, by offering amendments to bills on the Senate floor and by engaging in critical discussion of the issues.

Taylor emphasized that often the goals of both caucuses are very similar but that often sharp differences arise through the advocacy of differing solutions. For instance, he cited the fact that nearly all parties agree that there will be a tax cut agreed upon during the coming legislative session. However, Taylor pointed out, there are widely differing approaches as to how the tax cut will be enacted. In addition, he added that with many major issues, conflict is drawn upon urban-rural or agricultural-industrial lines rather than political party lines.

Taylor indicated that he plans to restructure the caucus into two major committees: a policy committee to focus on broad issues and a steering committee to implement caucus actions on the Senate floor.

Taylor said that because of the change of majority in the House of Representatives, he hopes the Senate minority will have an opportunity for more input in discussions with the Senate majority. He emphasized the role of compromise in policy decisions and stated his willingness to cooperate with all parties.

Aside from the budget setting process and the tax cut issue, Taylor also expressed his interest in the educational issues that will come before the Senate this year. "We must have a well educated populace in order to meet the economic demands of the future," he said. He indicated two priority areas: better preparation at the elementary and secondary levels; and a strong emphasis on higher education. Taylor added, "We must allow experimentation in new directions," for instance those directions suggested by groups such as the Minnesota Business Partnership.

Another key area of concern is the unemployment compensation fund deficit, Taylor said. Specifically, he mentioned two approaches to the deficit problem. First, shifting toward taxation of those businesses which use the system most and, secondly, looking at the administration of current laws at the local level with an eye toward tightening up poor practices. The latter approach would be especially significant in that employers would feel better about the system, he said.

Taylor concluded by saying that serving as minority leader "offers both opportunity and challenge. Public Service is important," Taylor said, "because decisions made during these exciting times lay the ground work for Minnesota's future."

MINNESOTA STATE SENATE

Senate Members—1985 Session

PHONE	PARTY	SENATOR	ROOM*	DIST.
296-5981	DFL	Adkins, Betty A.	235 Cap.	22
6455	IR	Anderson, Don A.	103 SOB	12
5975	IR	Belanger, William V., Jr.	107 SOB	41
3903	IR	Benson, Duane D.	109 SOB	32
5094	IR	Berg, Charles A.	115 SOB	11
4261	DFL	Berglin, Linda	323 Cap.	60
4131	IR	Bernhagen, John	113 SOB	21
2084	DFL	Bertram, Joe	328 Cap.	16
4848	IR	Brataas, Nancy	139 SOB	33
4182	DFL	Chmielewski, Florian	325 Cap.	14
5003	DFL	Dahl, Gregory L.	G-24 Cap.	50
2302	DFL	Davis, Charles R.	G-24 Cap.	18
6820	DFL	DeCramer, Gary M.	303 Cap.	27
2859	DFL	Dicklich, Ronald R.	306 Cap.	5
8298	DFL	Diessner, A. W. "Bill"	325 Cap.	56
8867	DFL	Dieterich, Neil	235 Cap.	63
2877	DFL	Frank, Don	G-28 Cap.	51
4123	IR	Frederick, Mel	119 SOB	30
8138	IR	Frederickson, Dennis R.	143 SOB	23
9307	DFL	Freeman, Michael O.	303 Cap.	40
4183	DFL	Hughes, Jerome M.	328 Cap.	54
9305	IR	Isackson, Doran L.	151 SOB	28
3826	IR	Johnson, Dean E.	105 SOB	15
8881	DFL	Johnson, Douglas J.	205 Cap.	6
4248	DFL	Jude, Tad	235 Cap.	48
1240	IR	Kamrath, Randy P.	133 SOB	20
1253	IR	Knaak, Fritz	149 SOB	53
4120	IR	Knutson, Howard A.	121 SOB	38
4302	DFL	Kroening, Carl W.	G-24 Cap.	57
1945	IR	Kronebusch, Patricia Louise	153 SOB	34
4351	IR	Laidig, Gary W.	145 SOB	55
3205	DFL	Langseth, Keith	G-24 Cap.	9
8017	DFL	Lantry, Marilyn M.	G-24 Cap.	67
4136	DFL	Lessard, Bob	328 Cap.	3
8869	DFL	Luther, William P.	205 Cap.	47
1279	IR	McQuaid, Phyllis W.	132B SOB	44
8075	IR	Mehrkens, Lyle G.	127 SOB	26
4154	DFL	Merriam, Gene	G-24 Cap.	49
4264	DFL	Moe, Donald M.	309 Cap.	65
2577	DFL	Moe, Roger D.	208 Cap.	2
4871	DFL	Nelson, Tom A.	301 Cap.	31
4334	DFL	Novak, Steven G.	203 Cap.	52
1282	IR	Olson, Gen	132C SOB	43
4241	DFL	Pehler, James C.	306 Cap.	17
4135	DFL	Peterson, Collin C.	205 Cap.	10
3988	IR	Peterson, Darrel L.	141 SOB	29
4274	DFL	Peterson, Donna C.	G-29 Cap.	61
8018	DFL	Peterson, Randolph W.	326 Cap.	19
296-0760	DFL	Petty, Eric D.	323 Cap.	62
7809	DFL	Pogemiller, Lawrence J.	G-24 Cap.	58
4167	DFL	Purfeerst, Clarence M.	303 Cap.	25
9251	IR	Ramstad, Jim	123 SOB	45
2889	DFL	Reichgott, Ember D.	G-27 Cap.	46
4125	IR	Renneke, Earl W.	117 SOB	35
4875	DFL	Samuelson, Don	121 Cap.	13
7157	DFL	Schmitz, Robert J.	235 Cap.	36
4310	IR	Sieloff, Ron	135 SOB	64
4188	DFL	Solon, Sam G.	303 Cap.	7
4191	DFL	Spear, Allan H.	G-27 Cap.	59
6238	IR	Storm, Donald A.	125 SOB	42
8660	DFL	Stumpf, LeRoy A.	306 Cap.	1
9457	IR	Taylor, Glen	147 SOB	24
4101	DFL	Vega, Conrad M.	G-29 Cap.	39
3809	DFL	Waldorf, Gene	G-24 Cap.	66
8091	DFL	Wegscheid, Darril	309 Cap.	37
4147	DFL	Willet, Gerald L.	121 Cap.	4

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296-4157	Agriculture & Natural Resources	24 Cap.
4158	Econ. Development & Commerce	303 Cap.
4185	Education	306 Cap.
8866	Elections & Ethics	328 Cap.
8865	Employment	325 Cap.
8864	Energy & Housing	29 Cap.
6436	Finance	121 Cap.
4175	Governmental Operations	309 Cap.
4151	Health & Human Services	323 Cap.
4191	Judiciary	27 Cap.
4150	Local & Urban Government	235 Cap.
1767	Public Util. and State Reg. Indus.	235 Cap.
4196	Rules & Administration	208 Cap.
4839	Taxes & Tax Laws	205 Cap.
4186	Transportation	303 Cap.
1771	Veterans' & General Leg.	328 Cap.

PHONE	SERVICE OFFICE	ROOM*
296-2887	Index	231 Cap.
2343	Sec. of the Senate	231 Cap.
0504	Public Information	B29 Cap.
8088	"Hotline" (daily schedules)	

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