



THE SIX BILLION DOLLAR MAN

REFORM

REDESIGN

REVENUE

**Rob Hahn's budget solutions add more than
\$6 Billion to Minnesota's bottom line**



July 13, 2010
FOR IMMEDIATE RELEASE

THE SIX BILLION DOLLAR MAN

Independence Party gubernatorial candidate Rob Hahn outlines proposals to add more than \$6 billion to Minnesota's bottom line

(St. Paul, Minn.) –Rob Hahn, Independence Party Candidate for Governor, today outlined his plan to add more than \$6 billion to Minnesota's bottom line. In a proposal entitled "The Six Billion Dollar Man: Reform, Redesign and Revenue," Hahn specifies twelve different ways to raise revenue and save money through redesigning the way government delivers services.

"This is a plan that will benefit Minnesota for years to come," Hahn said. "This is all about being fiscally prudent and more efficient. It's not just a quick fix but a combination of bold ideas that other candidates haven't suggested or had the vision and guts to tackle."

Here are some of the highlights of Hahn's plan:

- Create a new tax bracket for the über-rich
- Reduce capital gains taxes
- Cut and, in some instances, eliminate corporate income taxes
- Move to a Total Cost of Care model health system
- Add a "Fat Tax" to fast food and soda

"This is a plan that makes Minnesota more business-friendly, which will translate into more job growth," Hahn added. "In addition, there are some new taxes. The burden of a high standard of living needs to be shared. And some of the other proposals, especially those involving health care, can make Minnesota an efficient leader."

Rob Hahn is also available for one-on-one media interviews. You can contact the candidate directly at **651.659.9220** or hahnpub@qwestoffice.net.



REFORM

Income Tax Reform

New bracket for the über-rich

Create a new 9 percent bracket for taxable income over \$250,000 for a married couple filing jointly. This would raise approximately \$468 million in the next biennium. This is merely one-half a percent more than the highest bracket was paying in 1998.¹

Capital gains tax reduction

Reduce this tax to half its current level, when the gains result from long-term investments in Minnesota-based companies. This will encourage more people to consider investing in both existing, but more importantly in start-up companies, at a time when banks are not lending money freely like they once did.

Corporate Tax Reform

Cut and eliminate corporate income tax

Make Minnesota really business-friendly. Cut the corporate income tax, currently 9.8%, in half and eliminate it entirely for businesses who invest 2.5% of their profits in PIE² (Partners In Education – details of program to be announced later in July) and agree to certain parameters (i.e. purchase equipment from Minnesota dealers, make some investment in training and hiring unemployed, penalty for outsourcing or moving business out-of-state). This will encourage existing businesses to expand in Minnesota and allow them to pay better wages. Additionally, it will offer incentives for start-up companies to base themselves in Minnesota and help lure existing companies to Minnesota. More jobs mean more income tax. By investing in PIE, Minnesota businesses will help train and employ Minnesota students and recent graduates while simultaneously defraying their tuition costs.

Get rid of loopholes and other needless protections

- Close the loophole that allows companies to assign profits to a subsidiary in “tax haven” countries, essentially shielding it from taxation.
- Discontinue the current Foreign Royalty exclusion, which exempts from taxation any income from when a multinational receives royalty payments from its foreign subsidiaries.
- Repealing the special tax treatment of Foreign Operating Corporations (FOCs) and treat income earned from foreign sources the same as income produced domestically.

It's projected the savings from these reforms would raise \$283 million.³



REDESIGN

Health Care - Switch to total cost of care model

The focus of health care needs to be switched to health outcomes and not fees for services, according to the Bush Foundation. Under this plan, providers would decide on the cost of a year's worth of services, and while teaming up with other sectors, essentially create a state portfolio of publicly paid health care. This is real health care reform, not just health coverage reform. The savings to the state would be \$2.6 billion per biennium.⁵

Provide health insurance subsidies, not health care services and payments

Combine the four medical assistance programs for efficiency and provide an annual subsidy to a Health Savings Account (HSA). This has the potential to cover all currently uninsured Minnesotans, allowing them to purchase health insurance on the open market. The Legislature might need to remove the restriction for purchasing health insurance only within Minnesota. Projected savings is \$2.85 billion per biennium.⁶

Opt-in to Medicaid

Capture federal dollars by "opting-in" to early expansion of Medicaid. Net benefit to the state over next biennium could be \$1.2 billion.⁷

Reform the Social Security Title IV-D program

This would ensure that child support services are paid only to parents who qualify for public assistance. This is a component of Rob Hahn's family law reform proposal. Estimated savings are \$258.3 million per biennium.⁸

Switch from county-delivered to region-delivered services

Instead of 87 counties, there would be six regions to deliver services. By "combining funding streams, reducing administration costs and eliminating unnecessary rules, regulations, reports and advisory groups," this reform will save an estimated \$355 million per biennium.⁹

Redefine state-county relationships

Counties would be given more leeway by lifting levy limits and other property tax restrictions. Such changes would also make the counties more accountable to their citizens for money spent and services rendered. The state would provide a framework for as well as results expected from the property tax system and also work with counties to identify outcomes and associated dollars for services administered by the state but delivered by the counties. Approximately \$267 million would be saved by redefining these relationships.¹⁰



REVENUE

(All figures, unless otherwise noted, are the total for a biennium)

New Forms of Revenue

Riverboat Gambling

Legalizing state-sponsored riverboat gambling on waterways throughout the state would generate between \$800 million to \$1.2 billion per biennium with six boats in operation and create 3,000 jobs. Under the Hahn proposal, 50% would go to the General Fund, 20% to K-12, 20% to LGA and 10% to promoting tourism. There will also be a financial benefit (pre-tax formula) for host cities and counties not to mention the boon to their local hospitality businesses.¹¹

New tax bracket for über-rich

By creating an additional tax bracket for families making \$250,000 or more, it is projected the state would earn an additional \$468 million per biennium in income tax collections.

Fat Tax

Place a tax on fast food restaurants (possibly 3-5%) and on soda pop (possibly a one-cent tax on every four ounces). Conservative estimates suggest this would take in approximately \$100 million or more every two years, some of which will be used to offset the additional \$1 billion we Minnesotans pay in health care costs related to problems that result from obesity.¹²

Cut corporate loopholes

By repealing three basic loopholes, which currently benefit some companies, the state would add \$283 million to its coffers.

New Revenue from Redesigns

Health Care - Switch to total cost of care model

The savings to the state would be \$2.6 billion per biennium.

Provide health insurance subsidies, not health care services and payments

\$2.85 billion

Reform the Social Security Title IV-D program

\$258 million

Switch from county-delivered to region-delivered services

\$355 million

Redefine state-county Relationships

\$267 million would be saved by redefining these relationships.

Total Revenues from new sources and reform More than \$6 Billion



About The Proposal

As sourcing indicates, we culled information from studies conducted by different groups from both the left, right and middle of the political spectrum. In addition, we also did our own in-depth analysis of various figures and proposals. Current revenue streams and other economic adjustments might affect some of the projected figures slightly. We provided these figures to third parties, who agreed most, if not all, figures provided in these proposals, though approximate, could theoretically be accurate. While the total amount of revenue generated from new sources and redesign of the system exceeds \$8 billion, we've accounted for some loss of revenue that would result from the reforms to capital gains and corporate income tax reductions. However, the cut in corporate income tax will generate the creation of new jobs, which will increase the income tax base.

The proposals are not absolute and most likely need some refining. But they represent a strong and innovative starting point to balance our budget and plan for the future. There are no short-term fixes in these proposals but rather long-term solutions.

¹ Minnesota Budget Project based on House Research.

² Rob Hahn For Governor PIE Initiative. Details to be unveiled separately.

³ Ibid.

⁵ The Bush Foundation, "Minnesota's Bottom Line"

⁶ The Minnesota Budget Solutions Coalition

⁷ Minnesota Budget Project and others

⁸ The Minnesota Budget Solutions Coalition

⁹ The Bush Foundation, "Minnesota's Bottom Line"

¹⁰ The Bush Foundation, "Minnesota's Bottom Line"

¹¹ Rob Hahn For Governor study and analysis

¹² Ibid.; Minnesota Health Department Study