

Framework for a Budget Solution

The budget impasse is unprecedented and must be addressed as soon as possible. Minnesotans are suffering, our reputation has been hurt, and our credit rating is endangered.

We reviewed Minnesota's budget situation, and we reviewed previous reports on Minnesota's revenues, expenditures, and budgets.

The following principles shaped our recommendations:

- Everyone in Minnesota needs to contribute to the budget solution;
- The budget should only spend an amount equal to ongoing revenues (no shifts or gimmicks should be used to balance the budget);
- Minnesota needs to consider both revenue increases and expenditure decreases in solving the state's problems;
- While Minnesota's spending has slowed in recent years and is not out of control, spending must be slowed from projected levels especially public health care costs;
- Spending reform is necessary to make state spending more productive;
- The solution to this year's budget impasse should be roughly 70% spending decreases and 30% revenue increases; and,
- The spending in this year's budget should focus on growing the Minnesota economy.

Our recommended framework for a budget solution:

1. Cut state spending \$3.6 billion from projections, which results in a biennial budget increase of 3% (or 1.5% increase per year);
2. Increase state revenues \$1.4 billion as follows:
 - Human Services Surcharge \$.25 billion
 - Tobacco tax increase of \$1.29/pack (the Wisconsin current tax rate) \$.33 billion
 - Alcohol tax inflation increase (from the last time the tax was increased in 1987) \$.14 billion
 - A temporary 4% increase in income tax liabilities for everyone only during the biennium (Three calendar years.)
3. Longer term, the sales tax should be broadened and the rate lowered.

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