



STATE OF MINNESOTA

Office of Governor Mark Dayton

130 State Capitol ♦ 75 Rev. Dr. Martin Luther King Jr. Boulevard ♦ Saint Paul, MN 55155

July 14, 2011

Via Hand Delivery

The Honorable Amy T. Koch
Majority Leader, Minnesota Senate
Capitol Building, Room 208
75 Rev. Dr. Martin Luther King, Jr. Blvd.
St. Paul, Minnesota 55155

The Honorable Kurt Zellers
Speaker of the House
463 State Office Building
100 Rev. Dr. Martin Luther King, Jr. Blvd.
St. Paul, Minnesota 55155

Dear Senator Koch and Speaker Zellers:

Today is the 14th day of the state government shutdown for which you, your Republican caucuses, and I are responsible. During that time, I have made additional compromise proposals to resolve our budget impasse, which you have immediately rejected. Astonishingly, I have not received a single new proposal from you during that entire time.

During the past two weeks, I have been listening carefully to people throughout Minnesota. They are telling me that, overwhelmingly, they want this budget dispute resolved. While they strongly prefer my proposed solution to that of the Republican legislature, more than anything, they want this government shutdown to end. Now.

Thus, in my continuing effort to reach agreement with you on a budget for this biennium and get Minnesota working again, I will reluctantly agree to, although I do not agree with, your signed offer sheet, dated June 30, 2011 (attached).

Most importantly to me, this proposal bridges the remaining \$1.4 billion gap between us without any more drastic cuts in essential services to the people of Minnesota. It thus achieves my principal objective throughout these negotiations, which has been finding the revenues necessary to prevent the severe reduction in, or even the elimination of, the assistance upon which many Minnesotans' lives depend.

Unfortunately, your plan achieves this goal, not by permanent sources of funding, but rather by borrowing an additional \$1.4 billion: \$700 million by increasing the school aid shift and another \$700 million by issuing state bonds against future tobacco revenues.

I was reluctantly agreeable to the first of those measures on June 30th. I thought then, and still believe strongly, that the second measure is far less preferable than a new progressive source of additional revenue. You have emphatically rejected all of my proposals, which would accomplish this objective. You have repeated that your caucuses will oppose any additional tax revenue from any source, even my proposals which limit the income tax increase to only the richest 2%, or even the richest 0.3% of all Minnesota taxpayers.

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However, despite my serious reservations about your plan, I have concluded that continuing the state government shutdown would be even more destructive for too many Minnesotans. Therefore, I am willing to agree to something I do not agree with – your proposal – in order to spare our citizens and our state from further damage.

I am adding three conditions to those you included on the attached offer sheet. First, I will rely upon your public statements after the shutdown began that you have removed all of the policy issues contained on your list from our remaining negotiations and from legislative action this year. We must concentrate our efforts on reaching the budget agreements that will return Minnesota to work, not on continuing disagreements over issues on which we do not agree.

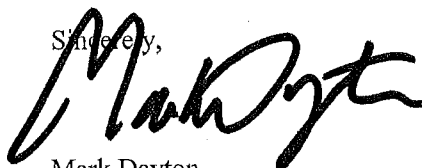
Second, that you drop your arbitrary 15%, across-the-board reduction to the number of employees in all agencies, regardless of their funding source. I share your desire for sensible government reforms. After we enact this budget, we will have many opportunities to work together cooperatively to initiate them. Right now, however, we need a budget.

Third, that after all of the budget issues have been resolved in a special session, you support and pass a bonding bill in that session of not less than \$500 million to put people back to work throughout Minnesota.

If you agree to your previous proposal with these added conditions, my commissioners, staff, and I are available to meet around the clock with you, your members, and your staff to complete it. I will call a special session of the legislature after my commissioners have signed off on all of the bills necessary for a comprehensive agreement. I expect us to have our work completed and to be ready for a special session within three days.

During that time, I urge the members of both of your caucuses to consider carefully the advisability of supporting alternative sources of revenue, which would provide better, long-term financial stability for Minnesota than the two sources in your offer. If so, we could certainly discuss a substitution.

Sincerely,



Mark Dayton
Governor

Attachments

**Offer to Governor Mark Dayton from Minnesota Legislature
June 30, 2011 at 3:00 p.m.**

Shift school aid payments from 70/30 to 60/40 (\$700M)

Issue tobacco bonds to cover remaining gap as agreed to by Governor, Speaker and Senate Majority Leader (TBD)

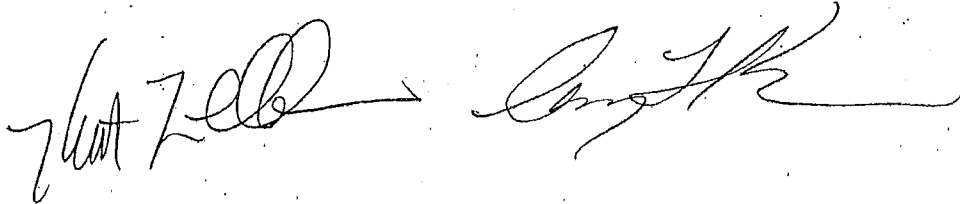
Increase per student formula by \$50/yr to cover additional borrowing costs (+128M)

Add \$10M more to University of Minnesota to equalize reductions with MnSCU (\$60M for higher education)

Restore funding to Department of Human Rights and Trade Office

Session Details:

Signed agreement that tonight's Special Session of the Legislature would be confined to passing a "lights on" extension of funding for all current operations and obligations of state government until 11:59 p.m. on July 11, 2011. No other votes would be permitted, and the session will conclude by 11:59 p.m. on June 30, 2011. All budget bills will be completed and passed on Monday, July 11, 2011.

Two handwritten signatures in black ink, one on the left and one on the right, positioned below the session details text.