



# Summary of Meeting with Geoff Michel

Civic Caucus, 8301 Creekside Circle, Bloomington, MN 55437

*Thursday, May 10, 2007*

**Guest Speaker - Senator Geoff Michel, Assistant Minority Leader, District 41**

**Present** - Verne Johnson, chair; Lee Canning, Jim Hetland, John Mooty, Jim Olson

**A. Context of the Meeting** - The Civic Caucus has an ongoing interest in action at this year's session of the Minnesota since some issues, such as constitutional amendments, have been studied by the Caucus as part of its on-going efforts to review and potentially improve the performance of government in the state. This was the second time Senator Michel has spoken to the group.

**B. Introduction** - Verne gave a brief introduction ending with a general query about progress at the legislative session.

**C. General Observations on the 2007 Legislature** - Michel said he is optimistic about a good and on time finish on May 21, the constitutional deadline to put together a two-year budget. However, he added, "My mood and prediction could change by the day or even by the hour. "

Behind the scenes, he said, there are conversations. Calm and substantive offers are being traded back and forth.

He added that at a recent meeting with the governor, he "saw someone who wants to lead us to a solution, not someone who is running for vice president, not someone who wants to kick the DFL a little more."

"I saw a leader who recognizes he has to compromise and a leader who recognizes that for you and I to agree to a deal, we both have to get something and we both have to give up something," Michel stated. When asked about the differences he has seen between this legislature and what has been the characteristics of previous sessions, Michel said the dynamics are different now. "It is a fully DFL legislature controlled by significant margins. But particularly the House and the governor want to get something done, want to show some accomplishment."

Another question sought his opinion that part of the change is due to dissatisfaction shown at the last election.

His reply was, "I do. I think a number of people, including yours truly, said on the campaign trail that we need to get back to listening, to compromise, and getting work done on time. Five months is plenty of time to get done what we need to get done."

**D. The Governor's Position** - In response to a question on the governor's attitude toward an override veto, Michel responded, "I think all options are on the table. As the final days become the final hours, the governor has options from letting a bill become law by not signing the bill, he can sign a bill and line item veto some portions of it, he can veto it and he can sign a bill.

So he has a range of things he can consider. Michel also pointed out since this is the governor's fifth year in office, so he has dealt with these situations before, particularly from the Senate with Larry Pogemiller and Linda Berglin.

Michel did feel that the governor would not sign legislation to increase the tax on gasoline. But the senator pointed out that a veto of a gas tax increase "could be overridden or it could become law without the governor's signature. Or it could be changed and modified again to garner additional support from both sides. I don't think it's over. I don't think the product that came out of the conference committee will necessarily become law."

**E. The Budget** - Michel spent more time on this subject than any other which he pointed out is "90% of the session." He indicated his frustration with the budget is more procedural than anything else.

"Procedurally what the DFL has decided to do is to give the governor one piece of the budget at a time without an overall figure for how much are we taxing or how much are we spending. The higher education bill is an example of a casualty of that. That may be a good bill but if you are budgeting in a vacuum; if you don't know how much you are spending on health care, if you don't know how much you are going to spend on your schools, how can you responsibly sign this bill? Again, when the governor gets a bill, he has three days and so they have been trying to cherry pick him a little bit and get him to sign a portion of the budget and then fight at the end about schools and taxes and get the governor in a box.

"And I appreciate legislative strategy and tactics but for me, I wish we would do first things first and if our education system and education budget is the most important thing we do as a state, I would argue that we should do that part of the budget first. It's 40% of the budget. So instead of saving that for the end when tensions are highest, stress levels are at their worst, and frankly brinkmanship is being played, I would rather see us do the basics first and with a knowledge of what the overall state budget looks like.

"The governor keeps asking for some local targets, but the DFL says, "Here's another bill."

"There's a time for politics and a time for strategy. But with the middle of May, with a deadline staring you in the face, it's a time for governing.

"I don't think it is asking too much for us to get done on time in a reasonable fashion.

"Here are some of the other dynamics. We get two budget forecasts a year. We had one right after the election so we had a budget forecast in mid-November which was seven or eight months ago. Our economy and our forecasts since then haven't changed too much. We are basically on the same forecast line and trend that we were back in November 2006 and we had a lot of energy and

speeches but on the last six or seven months we've known what the budget is, we've known what we are spending, how much our taxes are. There hasn't been a big bubble in our economy. There is no reason for us to go into overtime.

Michel further addressed his frustration with the budgeting procedure by suggesting the following process should be used:

"To put together a state budget, the first thing you would do, would be to ask: "What are we spending now and is this program working? You would have at least a review of what we are doing now. So that's number one. We haven't done that this year. Number two is how much do we have in the bank and depending on your accounting method there is some extra money, some surplus.

"And you would say, should we save some of that for a rainy day. And then, maybe there are some areas where we should spend more. I really resent being told that the only way I can support education is by spending more. Show me how it is going to work. Let's tie it to some measurable standards we can agree on. We went right to spending."

He neared the close of his attention to the budget with this comment, "As our state budget grows with population and economic growth, state revenues are projected to go up four to five percent a year. Without doing anything we have about ten percent more to spend over two years. And just within that budget pie, there is plenty of room to do good things.

Michel was asked this specific question: "Do you think this session could justifiably go beyond the 10 percent every two year increase, meaning spending more money and increasing taxes?"

His reply: "I would say no. I think we should be able to live within that 10 percent. We do some awfully good things. That's three billion dollars."

When confronted with the issue of "catching up" after several years when causes like conservation were somewhat starved, Michel said he is not in favor of "catching up.

"There may be a political reason or a need to compromise to spend more than ten per cent in order to get something done, or to finish our work or to come a solution. If I were putting together the state budget, I would want to live within that ten percent. We may have to do more to get agreement in St. Paul.

**F. The Challenge of Bonding** - When asked about whether to "bond" or whether to "spend," Michel's reply was, "I think you need a balance. We've always lived with, I think, three percent for the number used for the capital bonding formula so three percent of the state budget could be used for long term investments."

But does he believe there will there be a compromise on bonding this year?

The senator's answer: "I do. This is not a year for buildings, university campus facilities improvements. But there are some needed emergency and disaster relief - Browns Valley or the BWCA. We might need to direct some help there. But there is some room within that three percent cap this year. They sent the governor a bonding bill about ten days ago. Again without knowing what the overall budget is, I think it is irresponsible to start to spend until you know what is in the

checkbook. And so, they talked to him (Governor Pawlenty) a little bit and he said, "I don't like what is in this bill." Within the context of an overall budget, this may be a great bonding bill and we may see the same exact same bonding bill on May 19. But at the end of April it didn't make sense to spend in that way and in that sequence."

**G. The 20/20 Movement** - In Michel's view, "There are a couple of 20/20 developments. From a media viewpoint, it is difficult to get any attention. It's not sexy. It's long term budgeting and accounting. We are now up to 54 members and that is House and Senate and Republicans and Democrats. I feel pretty good about that. We got a big influx of the freshman members. We went from 35 to 55, mostly with this new class. I would say it is weighted more towards youthful members. The 'liberal bent' of the new members will be tested, he said, over the next couple of weeks. "Some of the Democrats from the suburbs were not elected as liberals; were not elected as tax increasers. They've talked about fiscal moderation or reforms rather than just spending. We will see from their votes if they act as they campaign," he added.

Regarding the attitude of the governor and the leadership in the Senate and the House, Michel commented, "I don't know if we are on the governor's radar screen. We're part of his day-to-day battles. I don't know if he spends much time worrying about us. I think the legislative leadership is threatened when they see such a large group but I think that for now, they pat us on the head, and say 'nice job and let us know when you have something worthwhile.'

**H. Bills of Special Interest** - The senator has two bills of special interest and involvement.

"One is basically a 20/20 bill related to state budget forecast. We do a formal state budget forecast twice a year but it only goes out four years. In our 20/20 proposal, we recognize the challenges caused by the demographics changing so we should look out further. I am the lead sponsor and I have struggled to get a hearing. What's interesting is that I have struggled with the bureaucracy who believes that in order to have that longer view for the forecast; we will need to hire more people. We've been pushing back. The second bill which is more timely has been drafted but has not been introduced yet. I don't believe we should be paid per diem if we go into a special session. I've added a new wrinkle to that idea which is if we go into a special session this year over the budget, legislative leaders and the governor should forego their pay. I don't think it will pass."

***The Civic Caucus is a non-partisan, tax-exempt educational organization. Core participants include persons of varying political persuasions, reflecting years of leadership in politics and business.***

**A working group meets face-to-face to provide leadership. They are Verne C. Johnson, chair; Lee Canning, Charles Clay, Bill Frenzel, Paul Gilje, Jim Hetland, John Mooty, Jim Olson, Wayne Popham and John Rollwagen.**