



State Senator Geoff Michel

Civic Caucus, 8301 Creekside Circle #920, Bloomington, MN 55437

April 8, 2011

Present : Dave Broden, Janis Clay, Paul Gilje, Verne Johnson, Sallie Kemper, Ted Kolderie, and Dan Loritz

Summary : Today's discussion covers a Civic Caucus meeting with **State Sen. Geoff Michel**, GOP deputy majority leader, Minnesota State Senate. Michel opposes revenue increases, even those that would be temporary, to balance the state's budget. He believes a specific redesign agenda should be prepared for the interim between the 2011 and 2012 sessions. The agenda should include local government issues. The state should seek federal waivers to allow more flexibility in redesigning Medicaid, he said.

Welcome and Introductions — Verne and Paul welcomed and introduced **State Sen. Geoff Michel**, Edina, Minnesota Senate GOP deputy majority leader. Michel grew up in Minnetonka and received a B. A. Degree from Dartmouth College. Upon graduation he worked as a legislative assistant to former Minnesota Congressman, Bill Frenzel. He returned home to Minnesota and received his J.D. from the U of M Law School. From there he went to work as Legal Counsel for Governor Arne Carlson. Currently he is Counsel at Securian Financial Group.

Michel is serving his third term in the Minnesota Senate and is chair of the Senate Jobs and Economic Growth Committee, chair of the Subcommittee on Redistricting, vice chair of the Taxes Committee, and a member of the Rules Committee. He is a co-chair of the Early Childhood Caucus and the Cancer Caucus.

Comments and discussion —During Michel's comments and in discussion with the Civic Caucus the following points were raised:

* **Optimism on adjournment** —Michel is optimistic that the session will end on schedule May 23, without the need for a special session. Even though differences are great, Michel is encouraged that legislative leaders are meeting regularly with the Governor. If both the Governor and the Legislature are successful, the state as a whole will benefit.

He regrets that the media seem preoccupied with conflicts and the question of a Viking stadium .No matter the importance of other issues, the stadium dominates discussion with the media.

* **Potential for broadening the budgetary discussion** —If, in fact, the Governor and Legislature become embroiled in a budgetary controversy that defies settlement, the question was raised whether opening the debate to more issues might help bring about agreement. "The budget will be for \$34

billion and no more," Michel predicted. "There's no such thing as a temporary revenue increase," he said, in response to a suggestion that perhaps temporary revenue increases could be employed for two to four years while new strategies are developed that ultimately could reduce state spending. Citing an actual temporary revenue increase, members recalled a temporary surtax levied during the Quie administration, which was rescinded as scheduled.

*** Few states considering tax increases** -"If we consider what is happening in other states you'll note that only five governors are asking for tax increases," Michel said. "Others are holding taxes level or reducing them." He is not comfortable with Minnesota being among the few raising taxes.

*** Structural reforms will need to wait** —Rather than only cutting services, doesn't the tight revenue situation call for states to be more open to innovation or redesign of services, to accomplish real efficiencies, a member questioned? "Because of the immensity of the budget question in 2011, structural reforms such as redesign of services will also need to be on the legislative agenda in 2012," Michel said. "However, technically, the Legislature only takes a recess on May 23, so committees and task forces can convene throughout the interim to examine these structural reform issues."

*** Setting a purposeful agenda for the interim** —Civic Caucus members and Michel discussed whether the Governor and/or legislative leadership ought to outline priority areas for interim work, rather than leaving the agenda open. Michel said he sees great merit in developing a specific agenda for the interim.

*** Interim work should address local government issues and tax reform** —Sometimes, it was noted, state government focuses interim work on state government agencies, even though not more than 10-20 percent of the state budget funds these agencies. The bulk of state appropriations is spent by counties, school districts, cities, and townships. Michel said he agrees that, to be successful, any interim work must cover issues at the local level. Tax reform should also be an interim issue, Michel added. Noting that Sen. Julianne Ortman, Tax Committee chair, has a heart and a passion for tax reform, he cautioned that "to be successful we'll need leadership from the Governor." A member suggested that external participation during the interim should also be welcomed, recalling a session in the 1980s when major issues were settled after interim work that involved groups like the Minnesota Business Partnership.

*** Don't hesitate to seek federal waivers to try new approaches** —"With such a distinguished group of medical care organizations in Minnesota—including Mayo and Medtronic—this state should proudly go to the federal government and seek waivers to give the state greater flexibility with Medicaid," Michel said. He went on to note that he believes Governor Dayton is himself strongly supportive of seeking federal waivers.

*** Prospects for innovation in early childhood development** —Taking note of Michel's leadership in the Legislature on early childhood issues, a member inquired whether a pushback from several legislators is going to derail early childhood action in this session. Michel said he's not yet given up. He's impressed with leadership from Duane Benson and Arthur Rolnick and knows that the Governor, too, is supportive.

*** Stimulating private investment in human services** — Continuing the discussion of redesign ideas already on the table, Michel said he supports the proposal from Steve Rothschild of Twin Cities Rise!

for stimulating private investment in social services via the issuance of human capital performance bonds.

*** Might advocacy groups sidetrack innovation in human services?** —Michel was asked whether advocacy groups prefer dealing with one organization, the State Legislature, and would not be supportive of giving more authority to counties in human services, because the advocacy groups would need to concentrate on influencing 87 counties, not just one Legislature. While acknowledging the possibility of such concern, Michel said the Legislature must take action on new ways of delivering services in a time of severe fiscal constraint.

*** Don't forget about stimulating business activity** — A member noted that some entrepreneurs are fearful of coming to the state because of concern over environmental regulations and high property taxes. Responding to the concern about the business climate, Michel reminded the group that the Legislature took quick action this session—with support of the Governor—to provide regulatory relief.

*** Setting a vision for the state** —Michel said he'd like functions such as those carried out by the now-defunct State Planning Agency to return. He agreed that the Legislature itself isn't good at looking beyond the next two years. He said he's open to suggestions for some kind of planning structure, either inside or outside government or some combination of the two.

Thanks —On behalf of the Civic Caucus, Verne thanked Michel for meeting with us today.