ARNE H. CARLSON
GOVERNOR

STATE OF MINNESOTA

OFFICE OF THE GOVERNOR
130 STATE CAPITOL
SAINT PAUL 55155

CORRECTED COPY

4 June 1991

The Honorable Robert Vanasek
Speaker of the House
State of Minnesota
463 State Office Building
Saint Paul, Minnesota 55155

The Honorable Jerome Hughes
President of the Senate
State of Minnesota
328 State Capitol
Saint Paul, Minnesota 55155

Dear Speaker Vanasek and President Hughes:

I have signed into law the major appropriations bills approved by the 1991 Legislature:

- -- Education Aids, Chapter 265, House File 700/Senate File 467
- -- Higher Education, Chapter 356, Senate File 1535
- -- Human Services, Chapter 292, House File 719/Senate File 1550
- -- Environment and Natural Resources, Chapter 254, Senate File 1533/ House File 493
- -- Transportation and Semi-States, Chapter 233, House File 53/Senate File 1530
- -- State Departments, Chapter 345, House File 1631

I sign these laws with major misgivings because they continue a troubling pattern of overspending.

First of all, the fiscal year 1992-93 budget passed by the Legislature is $32 million out of balance. I believe it was caused in part by the last minute rush to complete business by the required adjournment date. This type of eleventh hour chaos is not new. Regrettably it has become characteristic of the way the Legislature chooses to operate. An example of this disconcerting process is the State Departments Bill which was developed and written well into the early morning hours just before the close of the session and passed just one day later.

But what concerns me more is that again the Legislature has mortgaged the state's future by not exercising spending restraint. Many of the bills passed this year start spending programs which cost small amounts of money today, but which compound into major spending in 1994 and 1995. We cannot continue to write checks when there is not enough money in the bank.

I also think that it is important to recount the events which resulted in the 1991 budget crisis. It began with the over-spending that took place during the 1989 legislative session. In looking back, we learned that on July 1, 1989, which was the start of the current biennium, the state had a healthy beginning balance forward of $946 million. The 1989 Legislature, rather than adopting the prudent course, chose to spend all of the $946 million balance, and then kept on spending. When the numbers were all added up, the 1989 Legislature's spending exceeded revenue by over $500 million for fiscal years 1990-91. Their decisions, together with their spending tails, have contributed heavily to our current budget difficulties.

When I took office on January 7, 1991, Minnesota faced a $1.9 billion deficit. Working with the Legislature, in a bipartisan manner, $194 million was cut from the current budget so that we would end fiscal year 1991 (June 30, 1991) in the black. Even with that budget adjustment, Minnesota still faced a $1.7 billion shortage going into fiscal years 1992 and 1993.

To address the $1.7 billion problem which I inherited, I asked all state departments to make major cuts in the budgets they had proposed for the next two years. The cuts included:

1. All proposed salary increases for state employees,
2. All inflation costs for rent, equipment, etc.
3. All new programs.

Through this process we cut nearly $600 million from the 1992-1993 fiscal year budgets. Now we had a $1.1 billion deficit.

I again went to all state agencies and had them cut another $250 million from their budgets. I proposed a fiscal year 1992-93 reduction of a like amount ($250 million) in aids to local governments. Additionally, I recommended $276 million in tax increases and proposed other revenue changes of $183 million. These changes, together with a $150 million use of the reserve fund, balanced the budget.

In February I presented my balanced budget to the Legislature. I stated that Minnesota must get its spending under control and that a reserve fund must remain intact to finance major and unexpected economic changes. The Legislature rejected my balanced budget and ignored the budgetary guidelines I laid out.

In these guidelines, I stated that there must be money available for program commitments and increased demand for services in 1994 and 1995 so that we do not simply move from one financial crisis into another. We must look farther down the road. Our Finance Commissioner estimates we need $500 to $600 million for this purpose.

In rejecting my budget, the Legislature continued its past practice, the same bad habit displayed in 1989. They spent money they did not have. Recognizing that the Legislature is not able to exercise restraint and get serious about how it spends taxpayers's dollars, I directed my staff, the Department of Finance, and appropriate agency commissioners to analyze each bill in order to limit spending to essential programs and services.

To accomplish this, I have had to make adjustments that affect many programs. Some are new programs that are of questionable need with long-term cost implications; some are local government programs that the state has funded in the past, but which should rightly be the responsibility of the local government and local taxpayers; some are mandated studies which are either unnecessary or duplicative.

It is very difficult to cut new, possibly needed programs, and programs of long standing, but we cannot keep spending and raising taxes. For those of you who are frustrated and displeased with these line-item vetoes, I can appreciate your displeasure. We do not like these cuts either. We would love to spend money on new programs - but - where will the money come from? It takes no skill to make promises to spend money you do not have. It however takes enormous skill to set priorities and engage in judicious decision-making.

So that the Legislature would not be caught off guard, I shared with legislative leaders on April 29, 1991, "Principles Governing Legislation Presented for Signature". I also stated publicly at many press conferences that Minnesota will not mortgage its future while I am here to provide leadership.

The people of Minnesota want smarter state government spending and we must provide it. In many of the major spending bills, the Legislature has tried to take away the Governor's constitutional right to line-item veto by aggregating questionable programs

with vital services. Therefore, some of the cuts are not necessarily those we would have made if we had access to the entire budget. Unfortunately, these were the only options the Legislature allowed.

I was not willing to let this kind of clever packaging interfere with this sacred constitutional authority, so I have exercised my veto right, pursuant to the powers vested in me by Article IV, Section 23 of the Minnesota Constitution, extensively but judiciously.

Minnesotans, I am sure, when informed will be surprised at the way the legislative leaders tried to hide their spending from the Governor and from many of their own members. The process has become so convoluted that when legislators voted on some bills, they were unaware of the line-item expenditures because the specific provisions were hidden in so-called "working papers". Minnesotans should not and cannot tolerate this abuse of legislative power.

Accordingly, I have exercised the line-item veto power and in doing so have generated more than $115 million in savings for fiscal years 1992-93. For the next biennium, fiscal years 1994-95, this figure will be in excess of $182 million. The total impact of these veto decisions is to reduce spending by $297 million over the next four years.

Even with the cuts achieved through this line-item veto process, we still have unfunded spending commitments after inflation in excess of $302 million going into fiscal years 1994-95. To further ratchet down this over commitment, I will look to CORE - the Commission on Reform and Efficiency. CORE will be operational within the next two months and has been established to undertake a comprehensive examination of our state government structure. CORE will be the first serious effort in decades to streamline state government, improve efficiency, reduce costs and increase accountability over the long-term. It is my hope that CORE's first progress report in January 1992 will give us a good forecast on the savings we can realistically book for the 1994-95 biennium.

For all of the reasons I have cited, I have made line-item vetoes in each of the major appropriations bills. In reviewing this legislation, which contains long-term policy initiatives and funding for on-going basic programs, we used the thorough analysis that has been applied for all bills presented to me for signature. In particular, I have

attempted to balance the need for essential programs and services with the non-negotiable mandate that we end the 1991-93 biennium with a balanced budget and start the next two-year cycle with equally prudent planning.

In Chapter 265, the Education Aids bill, the line-item vetoes are:

- -- Article 1, Section 21, page 20, lines 24 and 25, deletion of an open and standing appropriation.
- -- Article 5, Section 9, page 115, lines 29 through 33, deletion of an open and standing appropriation.
- -- Article 5, Section 24, page 124, line 32, deletion of $4,950,000 appropriation.
- -- Article 6, Section 66, page 183, line 31, deletion of FY93 $1,895,000 appropriation.
- -- Article 6, Section 66, page 184, line 13, deletion of FY93 $138,000 appropriation.
- -- Article 7, Section 42, page 213, line 14 and lines 24 through 25, deletion of a FY93 $20,000,000 appropriation.
- -- Article 7, Section 42, page 213, line 30, deletion of $100,000 appropriation.
- -- Article 8, Section 19, page 233, line 24, deletion of $750,000 appropriation.
- -- Article 8, Section 19, page 234, lines 12, 17, 23, and 35, deletion of $25,000 appropriation, deletion of two $70,000 appropriations, deletion of the $250,000 appropriation, and deletion of the $25,000 appropriation.
- -- Article 8, Section 19, page 235, line 10, deletion of the two $20,000 appropriations.
- -- Article 8, Section 19, page 236, line 1, deletion of $20,000 appropriation.

The Education Aids line-item vetoes are necessary to maintain a fiscally prudent budget but will still allow us to focus state resources on basic programs that are essential for the education of Minnesota's children. It is also important to point out that no appropriations cuts affect existing classroom instructional programs.

With regard to primary budget considerations, the Education Aids bill passed by the Legislature exceeds my recommendations for FY92-93 by nearly $5.0 million and creates spending obligations in excess of $71 million for the FY94-95 biennium. The aggregate impact of these line-item vetoes for FY92-93 is a savings of $28 million. For FY94-95 the savings is projected to be $62 million.

In Chapter 356, the Higher Education bill, the line-item vetoes are:

- -- Article 1, Section 3, page 6, line 46, deletion of $1,546,000 appropriation.
- -- Article 1, Section 4, page 8, lines 33 through 35, includes deletion of two $50,000 appropriations
- -- Article 1, Section 4, page 8, line 41, deletion of $14,585,000 appropriation.
- -- Article 1, Section 5, page 9, line 30, deletion of $14,359,000 appropriation.
- -- Article 1, Section 6, page 12, line 37, deletion of $3,605,000 FY 93 appropriation.
- -- Article 1, Section 6, page 12, line 47, deletion of FY93 $19,602,000 appropriation.
- -- Article 1, Section 9, page 14, line 21, deletion of $1,000,000 appropriation.
- -- Article 4, Section 5, page 32, lines 16 through 22, an appropriation to a commissioner.
- -- Article 5, Section 1, page 33, lines 19 through 24, deletion of a $25,000 appropriation.

The Higher Education line-item vetoes are difficult ones, and, because of the complicated appropriations process employed by the Legislature, the changes cannot be equitably allocated among the individual systems. Nevertheless, the changes are necessary in order to bring the higher education budget closer to my original recommendation.

With regard to budget specifics, the Higher Education bill passed by the Legislature exceeds my recommendation by $70.0 million for the FY92-93 biennium and by more than $76 million for the FY94-95 biennium. The aggregate impact of these line-item vetoes is a savings of more than $55 million for FY92-93 and for FY94-95 a projected savings of $54 million.

In Chapter 292, the Human Services bill, the line-item vetoes are:

- -- Article 1, Section 2, page 10, lines 28 through 39, deletion of a transfer of funds.
- -- Article 1, Section 2, page 14, lines 59 through 67, and page 15, lines 1 through 9, deletion of $250,000 appropriation.

-- Article 1, Section 2, page 18, lines 48 through 56, deletion of $80,000 appropriation.
-- Article 1, Section 5, page 21, lines 31 through 55, deletion of the $300,000 and $100,000 appropriations.
-- Article 6, Section 56, page 394, lines 32 through 36, and page 395, lines 1 through 21, deletion of $75,000 appropriation.
-- Article 8, Section 23, pages 498 through 500, deletion of $50,000 appropriation.

The Human Services line-item vetoes, while certainly sensitive, still assure delivery of essential services for the state residents who are most "at risk". With regard to budget specifics, the Human Services adjustments are necessary in order to bring the budget more in line with my recommendations.

Left untouched, the Human Services bill passed by the Legislature would exceed my budget recommendation for the FY92-93 biennium by more than $131 million (includes federal reimbursement for medicaid provider surcharge) and would create unfunded future spending obligations in excess of $136 million (assumes federal reimbursement for medicaid provider surcharge) for the FY94-95 biennium. The aggregate impact of these line-item vetoes is a savings of approximately $1 million for the FY92-93 biennium and a projected savings of $400,000 for the FY94-95 biennium.

In Chapter 254, the Environment and Natural Resources bill, the line-item vetoes are:

-- Section 5, page 7, lines 48 and 49, deletion of $10,000 appropriation.
-- Section 5, page 8, lines 50 through 52, deletion of $50,000 appropriation.
-- Section 7, page 16, lines 38 through 56, deletion of $200,000 appropriation.

The Environment and Natural Resources line-item vetoes are targeted and consistent with the immediate need to assure taxpayers that we will have a balanced budget for the FY92-93 biennium. The aggregate impact of these line-item vetoes is a savings of $260,000 for the FY92-93 biennium and a projected savings of $50,000 for the FY94-95 biennium.

In Chapter 233, the Transportation and Semi-States bill, the line-item vetoes are:

- -- Section 2, page 8, lines 22 through 26, deletion of $35,000 appropriation.
- -- Section 6, page 14, lines 59, 60, page 15, lines 1, 2, deletion of $1,000,000 appropriation.
- -- Section 18, page 19, lines 7 through 17, deletion of $446,000 appropriation.
- -- Section 18, page 19, lines 41 through 48, page 20, lines 4 through 15, lines 21 through 31, deletion of $40,000 appropriation, deletion of two $25,000 appropriations, and deletion of $50,000 appropriation.
- -- Section 20, page 21, lines 4 through 13, deletion of $25,000 appropriation.
- -- Section 21, page 21, lines 16 through 25, deletion of $1,000,000 appropriation as contained in item two of the working paper referenced in the bill and filed with the Secretary of State.
- -- Section 28, page 24, lines 18 through 24, deletion of $250,000 appropriation.
- -- Section 94, page 58, lines 13 through 24, 35, 36; page 59, lines 1 through 25;

The Transportation and Semi-States line-item vetoes are directed at nonessential programs which for the most part go beyond the target set in my budget. Broad-based programs of major statewide significance are preserved. The aggregate impact of these line-item vetoes is a savings of $2.6 million for the FY92-93 biennium and a projected savings of $39 million for the FY94-95 biennium.

In Chapter 345, the State Departments bill, the line-item vetoes are:

- -- Article 1, Section 2, page 4, lines 24 through 29, deletion of FY91 $600,000 appropriation carryforward.
- -- Article 1, Section 2, page 4, lines 46 through 48, and page 5, line 1, deletion of FY91 $300,000 appropriation carryforward.
- -- Article 1, Section 5, page 8, lines 13 through 18, deletion of $70,000 appropriation.
- -- Article 1, Section 12, page 10, lines 50 through 56, deletion of $200,000 appropriation.
- -- Article 1, Section 17, page 15, lines 53 through 55, deletion of a $10,000 appropriation and lines 56 through 58, deletion on a $480,000 appropriation.

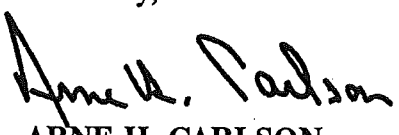
- -- Article 1, Section 17, page 16, lines 2 through 7, deletion of a $1,680,000 appropriation, and lines 16 through 22, deletion a $264,000 appropriation, and lines 23 through 29, deletion of a $180,000 appropriation.
- -- Article 1, Section 19, page 18, line 23, deletion of FY93 $2,500,000 appropriation.
- -- Article 1, Section 21, page 21, line 40, deletion of $178,000 appropriation.
- -- Article 1, Section 23, page 24, lines 6 through 10, deletion of $754,000 appropriation.
- -- Article 1, Section 23, page 24, lines 25 through 28, deletion of $11,808,000 appropriation.
- -- Article 1, Section 23, page 24, line 37, deletion of FY93 $2,791,000 appropriation.
- -- Article 1, Section 23, page 24, lines 53 through 63, and page 25, lines 1 through 3, deletion of $4,012,000 appropriation.
- -- Article 1, Section 23, page 25, lines 4 through 8, deletion of $118,000 appropriation.
- -- Article 1, Section 23, page 25, lines 12 through 14, deletion of $75,000 appropriation.
- -- Article 1, Section 23, page 25, lines 61 and 62, and page 26, lines 1 through 7, deletion of $500,000 appropriation.
- -- Article 1, Section 23, page 26, lines 43 through 46, deletion of $120,000 appropriation.
- -- Article 1, Section 23, page 27, lines 23 through 30, deletion of $150,000 appropriation.
- -- Article 1, Section 23, page 28, lines 33 through 36, and lines 43 through 45, deletion of the $400,000 and $100,000 appropriations.
- -- Article 1, Section 23, page 28, lines 53 through 55, deletion of FY93 $500,000 appropriation.
- -- Article 1, Section 24, page 29, lines 30 through 34, deletion of $97,000 appropriation.

The State Departments line-item vetoes in general are grant funds for numerous local initiatives that represent duplicative services, or services with only limited geographic significance. With regard to many of these programs, it is questionable whether the state

should maintain any level of involvement, regardless of budget constraints. If allowed to proceed, the State Departments budget passed by the Legislature would exceed my recommended budget by $49 million for the FY92-93 biennium. The aggregate impact of these line-item vetoes is a savings of $28 million for the FY92-93 biennium and a projected savings of $26 million for the FY94-95 biennium.

By eliminating all of these spending items, we have reduced total state spending by $115 million for the next two-year budget period, fiscal years 1992-93. Further, these cuts mean savings in the 1994-1995 biennium of $182 million resulting in a total impact of $297 million over the next four years.

Sincerely,



ARNE H. CARLSON
Governor

c: Senator Duane Benson, Minority Leader
Senator Ron Dicklich, Chief Author, Education Aids
Senator Leroy Stumpf, Chief Author, Higher Education
Senator Don Samuelson, Chief Author, Human Services
Senator Steve Morse, Chief Author, Environment & Natural Resources
Senator Keith Langseth, Chief Author, Transportation & Semi-States
Senator Carl Kroening, Chief Author, State Departments
Representative Terry Dempsey, Minority Leader
Representative Ken Nelson, Chief Author, Education Aids
Representative Lyndon Carlson, Chief Author, Higher Education
Representative Lee Greenfield, Chief Author, Human Services
Representative Dave Battaglia, Chief Author, Environment & Natural Resources
Representative Jim Rice, Chief Author, Transportation & Semi-States
Representative Phyllis Kahn, Chief Author, State Departments

Governor's Vetoes
1991 Legislative Session

	F.Y. 1992	F.Y. 1993	1992-93	F.Y. 1994	F.Y. 1995	1994-95
Education Aids						
Debt Service Equalization	0	4,950	4,950	9,900	14,850	24,750
Learning Readiness	0	20,000	20,000	16,000	16,000	32,000
Education Districts	0	1,895	1,895	1,895	1,895	3,790
Secondary Voc Coop Aid	0	138	138	138	138	276
Minnesota Local Partnership	100	0	100	100	0	100
Career Teacher	750	0	750	750	0	750
Agricultural Leadership	25	0	25	25	0	25
Principal Assessment	70	70	140	70	70	140
Computer Instructional Str	250	0	250	250	0	250
Worthington Facility	25	0	25	0	0	0
Chisholm Leadership	20	20	40	20	20	40
Legislative Commission	20	0	20	20	0	20
Subtotal Education Aids	1,260	27,073	28,333	29,168	32,973	62,141
ligher Education						
Technical College System	0	1,546	1,546	773	773	1,546
Community College System	0	14,585	14,585	7,293	7,293	14,586
CCS-Cambridge Equity Funding	50	50	100	0	0	0
State University System	0	14,359	14,359	7,180	7,180	14,360
University of Minnesota	0	23,207	23,207	11,604	11,604	23,208
Higher Educ Bd	1,000	0	1,000	0	0	0
Subtotal Higher Education	1,050	53,747	54,797	26,850	26,850	53,700
Human Development						
Human Services Dept	203	203	406	0	0	0
Jobs & Training Dept	225	225	450	200	200	400
Subtotal Human Development	428	428	856	200	200	400
Environment & Natural Resources						
Dept of Natural Resources	35	25	60	25	25	50
Dept of Agriculture	100	100	200	0	0	0
Subtotal Env & Natural Res	135	125	260	25	25	50

($ in Thousands)

Governor's Vetoes
1991 Legislative Session

	F.Y. 1992	F.Y. 1993	1992-93	F.Y. 1994	F.Y. 1995	1994-95
Infrastructure & Regulation						
Transportation Dept	26	9	35	0	0	0
MVET Transfer	0	0	0	17,833	19,359	37,192
POST Board	500	500	1,000	500	500	1,000
Greater Minnesota Corp	600	400	1,000	200	100	300
Historical Society	363	223	586	223	223	446
Arts Board	25	0	25	0	0	0
Subtotal Infrastr & Reg	1,514	1,132	2,646	18,756	20,182	38,938
State Government Affairs						
Legislature (FY 1991)	900	0	900	0	0	0
District Courts	70	0	70	0	0	0
State Auditor	100	100	200	100	100	200
Administration Dept	1,397	1,217	2,614	1,217	1,217	2,434
Finance Dept	0	2,500	2,500	0	0	0
PERB	93	85	178	85	85	170
Trade & Econ Development	9,381	11,947	21,328	11,463	11,888	23,351
Amateur Sports Comm	97	97	194	97	97	194
Subtotal State Govt Aff	12,038	15,946	27,984	12,962	13,387	26,349
Miscellaneous Bills						
** Health Care Access	[8786]	[23640]	[32,426]	[24000]	[25000]	[49,000]
Tax Bill - Coop & Comb. Aid	0	1,500	1,500	0	0	0
CH 178 - Warren Burger Home	50	0	50	0	0	0
CH 208 - Farmer/Lender Mediation	15	0	15	0	0	0
Subtotal Misc Bills	65	1,500	1,565	0	0	0
Total All Vetoes	***16,490***	***99,951***	***116,441***	***87,961***	***93,617***	***181,578***

Appropriations Line Items Only 115,481 181,578

(\$ in Thousands)