The following communication was received:

STATE OF MINNESOTA
OFFICE OF THE GOVERNOR
SAINT PAUL 55155

May 18, 2002

The Honorable Steve Sviggum
Speaker of the House of Representatives

The State of Minnesota

Dear Speaker Sviggum:

I have vetoed and am returning H. F. No. 3270, Chapter No. 374, a bill relating to the omnibus budget and appropriations.

Our state has a significant budget problem: lower state tax receipts caused by the national recession have created a permanent gap, this year and every year after, between money coming in and spending. This past November, the projected difference between revenue and actual annual expenditures was in excess of one billion dollars per year, starting in FY03 and continuing through the FY04/05 biennium.

In January, I presented a comprehensive proposal to balance the budget through June 2005. Following established practice, it recognized that normal inflationary pressures on state spending should be realistically accounted for in the budget, just like future inflation-driven increases in revenue. I proposed a balanced combination of spending reductions and revenue increases, phased in by use of existing budget reserves. I also proposed a plan to restore the reserves as a hedge against future economic shocks.

In February, my budget proposals were roundly rejected by the Legislature. Instead, the Legislature unilaterally enacted a "Phase I" budget plan over my veto that avoided any significant cuts to the 88 percent of state spending outside of state agencies, did not increase revenues, and changed its own accounting rules to ignore inflation in future spending. It also used up almost all available reserves to plug the budget gap over the short-term.
At the end of February, a revised forecast projected state revenues would drop by another $300 million in the current biennium and by another $671 million in FY04/05.

At that time, legislative leaders assured me that they would work diligently to craft a more responsible long-term budget solution in a "Phase II" plan.

During March, April, and early May, each house of the Legislature separately developed budget proposals that included some additional permanent spending reductions and revenue increases. Taken together, these offered the potential for making progress in reducing the gap between annual revenues and spending.

Instead, the Legislature passed H. F. No. 3270, Chapter No. 374, and abandoned any pretense of resolving the long-term budget imbalance. Its centerpiece is an accounting shift to delay some state payments to school districts until the next fiscal year, supplemented by other accounting changes to provide the minimum necessary cash flow and budget reserves. If this bill becomes law, the real ongoing gap between revenues and expenditures will remain in excess of one billion dollars per year--just as it was when the legislative session opened.

This bill is not worthy of Minnesota's strong tradition of responsible long-term budget management. This legislature has deferred the difficult choices. Next year, the Legislature and Governor will have to face these hard choices with fewer options, fewer resources and less time.

As Governor, I will not allow the pressure of looming elections to lower the standard for fiscal prudence, even temporarily. My expectation is that the Legislature will return to Minnesota's high standards for governance and budgeting. My veto of H.F. No. 3270, Chapter No. 374, is a call to return to responsible long-term management of our state's finances.

Sincerely,

Jesse Ventura

Governor