

Budget math is daunting

All the proposals put together don't solve the state's problem

With some painful cuts and shifts, the state worked to close the \$1 billion budget deficit last year. It wasn't pretty, and school districts have felt the results of those shifts.

Not to be the wet-blanket Eeyore, but finance officials around the state are already looking at this session of the Legislature. And they're seeing a mighty \$6.2 billion deficit cliff that schools, cities and counties are heading toward. This should worry everyone. So to help explain to people just how big of a problem this is, the Minnesota School Boards Association took every revenue option, budget-cutting option, budget-shift option and tax-increase option to see what it would do to decrease the deficit. The ideas are being used so people can see that doing everything may not even close the hole.

Shifting school funding

One way the budget was balanced two years ago was to shift state payments of schools into the next biennium. In 2009, Gov. Tim Pawlenty increased the usual 15 percent shift to a 27 percent shift. So what if the Legislature were to increase the shift from 27 percent to 50 percent? If the state shifted another 23 percent to get to a 50-50 shift for school funding, it would cut about \$1.6 billion off the state's debt. Again, this is a one-time fix.

So let's take the savings off the budget deficit: that would reduce the deficit from \$6.2 billion to \$4.6 billion.

Add Racino money

The 2010 Legislature again saw a Racino bill come up in committee, this time sponsored by Sen. Dan Sparks of Albert Lea.

Basically, the bill would allow 75

days of live racing and license gambling on those races across the state. If passed, a Racino plan would bring in about \$125 million a year, according to Legislative Analyst Tim Strom. That's \$250 million over two years.



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So let's say that Racino passes. That would reduce the deficit from \$4.6 billion to \$4.35 billion.

Cut all LGA

Gov. Tim Pawlenty went to Local Government Aid several times to cut the budget. Some of those cuts have shown up in cities as drastic cutbacks to firefighters, police, training, drastic reductions in library hours, cutbacks in road patching and snow plowing.

So what if the state were to completely cut all Local Government Aid? Strom estimates the savings would be about \$550 million. That would reduce the deficit from \$4.35 billion to \$3.8 billion.

Add clothing sales tax

OK, all the cost-cutting ideas are gone. Now, onto the dreaded "T" word. What if we put a sales tax on clothes, similar to the bill DFL Sen. Tom Bakk proposed this year. That would bring in an extra \$385 million per year, according to Strom. We'll be optimistic and put it at \$800 million over two years. That would reduce the deficit from \$3.8 billion to \$3 billion.

Tax the rich

This idea has been floated for many years, but has usually been dead on arrival during the era of No New Taxes. But what if we did create a new tax bracket for people who make more than \$250,000 a year.

The best estimate for revenue it could bring in: \$200 million a year.

Over two years, the state would get \$400 million.

That would reduce the deficit from \$3 billion to \$2.6 billion.

Don't pay back the shift

Now, we're out of ideas. And we're still more than \$2 billion short of closing the budget. One simple solution for the Legislature is to simply put off paying back the original K-12 shift. That would save about \$1.2 billion. But it simply shoves the problem into the future. However, in these tough times, it's doubtful the Legislature will pay back the shift. So let's take that off the deficit. That would reduce the deficit from \$2.6 billion to \$1.5 billion.

If we want to talk true balancing, we've taxed the rich, added sales tax, added Racino money, shifted payments to schools to 50 percent, cut Local Government Aid. What's left? The biggest parts of the state budget: welfare and education. We'll take a guess that an even 50-50 split will result: A cut of \$750 million from human services and \$750 million from education.

At this point the deficit would be solved.

This is what it takes to close the state's budget gap for the next biennium. This is what our Legislature faces this session. So are you scared now?

The point of this article is not to be doom-and-gloom. The point is to show that if the Legislature enacted every tax increase, revenue enhancer and budget cut that has been proposed in the past two years, it still isn't enough to close the deficit. And that message has to get out to people so they know the upcoming budget deficit is serious. And the result of the 2011 session will be a high-stakes test like schools have never seen before.

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