

Mark's Deficit Solution:

Tax fairness, additional revenue sources and spending reductions

Obviously, any Governor's first objective in dealing with the next and future budgets would be to increase economic and employment growth statewide. The fact that there are 200,000 more people living in Minnesota than when Governor Pawlenty took office (and thus needing services) yet almost 16,000 fewer people working in our state, is a principal reason for the current and next budget crises. (I can't blame Gov. Pawlenty entirely for their catastrophe; however, he doesn't seem to care much about it.)

Nevertheless, the next Governor and Legislature will be Constitutionally required to balance the next biennium's budget within five months of taking office. That is insufficient time to "grow" our state's economy out of the projected budget deficit. Those who claim they will do so either possess a magic wand, which I am lacking, or are evading the issue!

Require Minnesota's Richest Citizens to Pay Their Fair Share of State and Local Taxes

Based upon the most recent MN Department of Revenue's Tax Incidence Study, if the richest 10% of Minnesota households paid the same percentage of their incomes in state and local taxes as the rest of taxpayers, they would provide \$3.8 billion in additional revenues for the current biennium and, by extrapolation, over \$4 billion in the next biennium. Thus, my first objective in offsetting an estimated \$6 billion deficit for the next biennium would be to make the richest Minnesotans pay at least that same share of their incomes in Minnesota taxes (ie. a flat tax). Making Minnesota's taxes progressive would raise additional revenues.

I have not concluded how entirely to achieve that objective, and my campaign lacks the computer modeling capabilities to do so in entirety. However, my proposal thus far includes:

1. Require individuals making over \$130,000/year and couples, filing jointly, making over \$150,000/year to pay their fair share in taxes. I would add at least two, probably three, upper-income tax brackets, so that someone making over \$1 million/year paid a higher percentage of income than someone making \$130,000/year. For now (without additional computer modeling information) I would say that an individual making over \$130,000/yr. or a couple over \$150,000/yr. would pay slightly more in state taxes; people making over \$500,000/yr. would pay more in state taxes; and people making over \$1 million/yr. would pay significantly more in state taxes
2. Restore the third property tax bracket (that was eliminated in 1992) to "million-dollar homes."
3. Eliminate tax loopholes, such as the one allowing "Snowbirds" to live outside Minnesota for six months and one day of the year, and pay no personal income taxes in

this state. I would ensure that anyone who spends a significant amount of time in Minnesota pays taxes in Minnesota.

4. Increase Enforcement to Crack Down on Tax Evaders/Tax Cheats. The MN Legislative Auditor has stated that "Taxpayers are underreporting their tax liabilities by an estimated \$1 billion annually." The MN Department of Revenue's Compliance Division spent \$20.2 million in the 2008/9 biennium to collect an additional \$133.7 million in tax payments, for a Return on Expenditure of 6.6. Absurdly, their budget for the current biennium was slashed to \$10.4 million!

My goal would be to increase compliance staff to recover \$400 million (20% of the uncollected money owed in the next biennium); more in subsequent biennia. \$400 million - \$60.6 million cost of collection ($\$400 \text{ million} / 6.6$) = \$339.9 million in additional biennial revenues.

Revenues from Restoring "Tax Fairness": \$4 billion

Additional Sources of Revenue

5. Adopt a Corporate Throwback Rule. 25 states of the 45 with corporate income taxes have a throwback rule for corporations that sell their products in more than one state. Such a rule would produce revenues of \$39.7 million for the next biennium, according to the MN Department of Revenue's 2010 Tax Expenditure Report.

6. Elimination of JOBZ Subtractions & Credits. Would save \$68.9 million in tax expenditures in the next biennium. (ibid.)

7. Elimination of MN Subtractions for Foreign Operating Companies & Royalties. Estimated additional revenues for the next biennium would be \$276.1 million.

8. Possible addition of one state-owned and operated casino at or near the Mall of America or at the MSP airport. In 2003, the authors of similar legislation estimated revenues to the state at \$300 million for the biennium.

(Staff Fiscal Note: Kansas is cashing in on a one-time payment of \$80 million for the casino operators to gain exclusive rights to operate the day-to-day operations of the casino. It's an upfront payment, so it's one-time money, but it would be part of the FY12-13 biennium. That can be used, at a minimum, to boost the estimate by \$50 - \$80 million as a conservative estimate.

The Minnesota Department of Revenue estimated in 2003 that each slot machine in a state-owned casino would generate about \$232 in net revenues per day. If you adjust for inflation, moving from 2010 dollars, that ramps up to \$274 per slot machine per day in net revenues. Mystic Lake has 4,000 slot machines, and if the state-run casino were a similar size, that's a total revenue stream of \$400 million. Taxes on state casinos are expected to be 25% to 35% of the total revenue stream. So using their calculation, that

would compute out to be \$200 to \$280 million in state tax revenues. If you tack on \$50 - \$80 million on top of that, you're looking at a range of \$250 million at the lower end and \$360 million at the upper end.)

Revenues from "Additional Sources": \$684.7 million

Reduce Spending

9. Re-negotiate leases for overpriced state office buildings. Market values have plummeted, so the state should renegotiate its rented office space, per a recent KSTP investigative report. A 10% reduction in lease costs would save \$12 million of the \$120 million in office space leases.
10. End Expensive Leasing of Office Space for Storage. Similarly, state agencies spend thousands of dollars a year, using expensive office space for storage purposes. One state agency pays \$21,000 a year for offices that are solely used as storage. To compound matters, more affordable storage options exists throughout the area. In St. Paul, the State pays \$9 per square foot for storage space. In Rochester, Minnesota taxpayers foot for \$21 dollars a square foot. Estimated savings: \$2 million for the biennium.
11. Reduce Private Contracting. State agencies spent over \$850 million on outsourced professional and technical services during the 2008-09 biennium. Cutting this outsourcing in half would thus save \$425 million.
12. MAPE estimates that its proposal to limit agency supervisory/managerial personnel to no more than 15% of state agencies' general workforce would save \$110 million in the biennium. Removing Gov. Pawlenty's political larding of the highest-paid agency positions will save additional monies.
13. Eliminate the MN Trade Office. Since I am not running for President, I will not need a Trade Office to support my international trade junkets, aimed at improving my presidential "gravitas." Appropriate hosting of international trade delegations will be handled through the Governor's Office, which is where state businesses can also derive the maximum benefit of state government support of their trade initiatives. Biennial savings: \$3 million.
14. Require the MN Department of Commerce's Market Assurance Program, which regulates the insurance, real estate, and securities industries to be entirely funded by those industries. (Currently, \$11.9 million of the 2010-11 biennial budget of \$26.7 million comes from the General Fund.) Savings: \$11.9 million.
15. Reduce and Reform Excessive K-12 Education Testing. Currently the MN Department of Education administers 61 standardized tests on Minnesota's schoolchildren. I will charge my Commissioner of Education and the 2011 MN Legislature with reviewing and eliminating excessive and non-productive student testing. Est. Savings: \$ 8 million. Est. Savings of Student and Teacher anguish: "Priceless"!

16. Reform Charter School Lease Aid Program to eliminate Star Tribune documented abuses. Est. Savings \$20 million (out of biennial cost of \$85 million).

17. Adopt and Implement Education Minnesota Health Insurance Pool Bill. This legislation, which would pool MN School Districts' health insurance purchasing to reduce their insurance costs, (and provide their employees with better coverage) was vetoed twice by Gov. Pawlenty. The legislative author estimates such a plan would save \$88 million for the FY12-13 biennium.

TOTAL REVENUE INCREASES & SPENDING REDUCTIONS: \$ 5,364,600,000

That leaves me \$635.4 million to go.