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Editorial: A work in progress for uncertain times

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It may not have been fear itself -- yet. But uncertainty, worry and gloom were all palpable as Gov. Tim Pawlenty unveiled his 2010-11 state budget proposal Tuesday. The plan calls for a 2.2 percent spending cut in the next two years from the current biennium -- or 7.9 percent less than existing spending formulas and programs project.

More than most gubernatorial budgets, the one Pawlenty and his commissioners sketched for reporters, legislators and lobbyists is a work in progress. A lot will change in the next few weeks, as the size of a federal rescue package for states becomes clear, and as the impact of the rapidly escalating unemployment rate is factored into state revenue forecasts.

And more than most, this gubernatorial budget relies from the start on a heavy infusion of one-time money. It's not unusual for governors and legislators to turn to tricks like delayed payments to schools when times are tough. Pawlenty's budget exercises that option, pushing nearly \$1.3 billion out of the 2010-11 budget period into 2012-13.

But Pawlenty also proposes something new: issuing nearly \$1 billion in bonds, to be repaid with currently undedicated annual receipts from the state's 1998 tobacco lawsuit settlement. The borrowed money would be used to cover the state's debt service obligations in 2010-11.

Add to that the expected \$1 billion he is booking from the federal government -- an amount that may be conservative -- and nearly 10 percent of the state spending Pawlenty recommends in 2010-11 would be paid from funds that would disappear in 2012-13.

That stretches the normal bounds of prudent management, and it could put the state's AAA credit rating at risk. But as Pawlenty and legislators all stressed Tuesday, "normal" has become difficult to define, let alone find, as the economy continues a rapid decline. Pawlenty described the use of one-time money as a way to "protect and preserve Minnesota's priorities" without raising taxes.

Pawlenty's resistance to raising state taxes remains firm in this fiscal storm. His budget shows Minnesotans what a "no new taxes" policy means when the state budget falls as far out of balance as this one has. It behooves Minnesotans and their elected representatives to examine his plan closely and understand its implications well.

Under Pawlenty's approach, the burden of closing a \$5 billion budget gap would be felt most keenly by the poor, the sick, the very young, renters, the noninstitutionalized elderly and disabled.

As many as 84,000 adults who are now enrolled in state-sponsored health insurance programs would lose that coverage. Child-care subsidies for the working poor would be cut; dental coverage would disappear. Deep cuts in state aid to cities and counties would likely push property taxes higher, and could force sizable reductions in services like police, fire, parks and libraries. The state's colleges, universities and the courts would be under serious strain, and programs would likely disappear. Government layoffs would be inevitable under the governor's plan, though he said that the wage freeze he recommends for every government entity in Minnesota would minimize job losses.

How Minnesotans respond to such implications in the coming weeks will matter much to this budget proposal's fate. Legislators need to do more in the next month than wait for federal money and a new budget forecast to arrive. They should be listening to Minnesotans. House Speaker Margaret Anderson Kelliher, DFL-Minneapolis, said a two-week listening tour of Minnesota cities is in the works. It ought to play to packed houses.

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