



STATE SENATOR MATT SCHMIT

2014 Legislative Report

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Legislative Highlights:

- ✓ Balanced budget with no shifts, gimmicks, or games
- ✓ On-time compromise to close session
- ✓ Property tax relief
- ✓ Targeted investments in education
- ✓ Highway 52 / County Road 9 interchange and overpass
- ✓ Meaningful silica sand mining safeguards
- ✓ Mayo destination medical center investment and promise of nearly 30,000 new jobs
- ✓ \$1.2 billion budget surplus
- ✓ Border-to-Border Broadband Grant Fund

Dear Neighbor,

Following an historic 2013 legislative session, in 2014 the Legislature and Governor concluded another smooth session on time and under budget. Importantly, the most productive two-year span in recent memory was based upon sound policy and meaningful compromise.

In early 2013 Minnesota faced a \$3 billion budget problem, comprised essentially of \$1 billion in general fund deficit, \$1 billion borrowed from our schools, and another \$1 billion in unaccounted-for inflation. This reality represented a serious recurring budget mess that had plagued our state for nearly a decade.

Tough decisions made during the 2013 session ended this cycle. We balanced our books honestly, allowed for targeted investments in education and infrastructure, and improved our state's fiscal outlook for the foreseeable future.

A sound budget and recovering state economy produced a \$1.2 billion budget surplus in 2014. Approximately half of these funds were returned to taxpayers, with another third or so devoted to capital investment and supplement budget appropriations. Nearly all the remaining surplus dollars were placed in reserve to improve Minnesota's long-term fiscal health.

Beyond the budget, the past two years have produced considerable compromise legislation that has taken into account a wide range of input and perspective. We constantly try to balance concerns of labor and industry, environment and economic development, short-term stimuli and long-term investment, to promote responsible policy that draws bipartisan support.

Although it's impossible for all of us to agree on everything all the time, the past two years have set the tone of honest stewardship, compromise and achievement. Quite simply, we're making Minnesota work again.

Best,
Matt Schmit

Broadband Infrastructure

After years of task force conversations and missed opportunities, the Legislature included \$20 million in the Supplemental Finance Bill to invest in broadband infrastructure. The funding will be used for a newly created Border-to-Border Broadband Development Grant Program that will provide grants and loans to encourage development in unserved and under served areas of the state.

More than 25% of Minnesotans do not have access to reliable and fast internet service. This is important to note because nearly a quarter of the new jobs created today are directly attributable to broadband. This infrastructure funding will be a big benefit to rural communities and the state's economy. This issue will continue to be a main focus of mine as I continue my work at the Capitol.

The \$1.2 Billion Budget Surplus: Where it Went

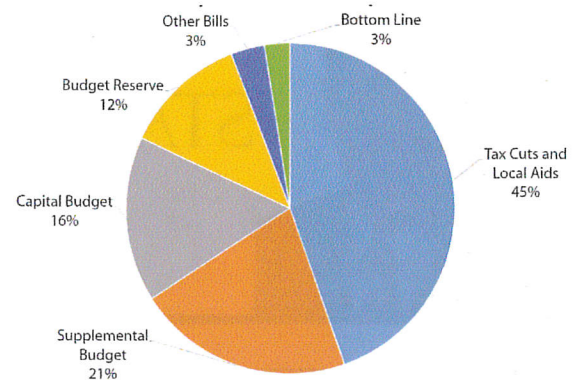
A sound budget and recovering state economy produced a \$1.2 billion budget surplus in 2014. Of these funds, 45% were spent on direct tax cuts, local aids and property tax relief -- with \$550 million returned to taxpayers in 2014 and another \$1 billion planned for the next budget period.

Bipartisan tax bills reduced income taxes for many Minnesotans through federal tax conformity, and we increased the Working Family Credit - Minnesota's version of the federal Earned Income Tax Credit - by about 25%.

Another 37% of the surplus was devoted to human capital and infrastructure. This effort was highlighted by a supplemental budget that directed approximately \$85 million in a long-overdue cost-of-living-adjustment for roughly 90,000 home-based care professionals,

\$20 million to promote investment in rural broadband access, and another nearly \$200 million in cash to augment our capital investment bill.

The \$850 million capital investment, or bonding, bill included \$240 million for higher education projects at the University of Minnesota and MnSCU system, more than \$100 million to supplement our gas tax receipts for roads, bridges and other vital transportation infrastructure, and \$100 million to spur construction of housing in areas where jobs are ample, but housing is not. The bill also included \$126 million to renovate and properly maintain our state Capitol -- a century-old fixture that is literally crumbling before us.



The remainder of our budget surplus was devoted to our budget reserves. Although Minnesota's economy appears to be recovering, that recovery is not felt equally everywhere. Strong budget reserves will allow our state to weather future economic downturns and budget shocks without putting Minnesota back on the revenue roller coaster that's defined the past decade of state and local governance.

Legislative Education Initiatives

The 2013 legislative session produced big results for education. From all day kindergarten to improved K-12 funding equity to a freeze on public college tuition, an historic \$735 million investment in education will benefit Minnesota students, families, and businesses for years to come.

Key 2013 Investments:

- **HIGHER EDUCATION:** \$250 million. The tuition freeze and financial aid increases will make higher education more affordable for Minnesota families.
- **ALL-DAY KINDERGARTEN:** \$134 million. Provides the opportunity for all students to participate in this proven program that enhances math and literacy skills.
- **SPECIAL EDUCATION:** \$40 million. Provides additional resources for children and reduces paperwork for instructors.

- **EARLY CHILDHOOD EDUCATION:** \$40 million. Provides scholarships for early education programs if a parent's income is up to 185% of the poverty level—or \$43,500 for a family of four.
- **LOCATION EQUITY FUNDING:** All districts are eligible for \$424 per-pupil equalized levy.
- **FUNDING FORMULA INCREASE:** \$261 million. Minnesota education investments have been

ignored for more than a decade. Increasing the funding formula by 1.5% in 2014 and 1.5% in 2015 ensures school districts have stable resources to better prepare students.

- **SAFE SCHOOLS:** Compromise language defines bullying, gives students, teachers and administrators tools to address bullying, and allows individual districts to establish their own policies.



Committee Assignments:

Fish & Wildlife Subcommittee, Chair | Agriculture, Jobs & Rural Development Committee, Vice Chair | Economic Development, Environment & Agriculture Finance Division | Energy & Environment Committee | Capital Investment Committee