



STATE OF MINNESOTA

Office of Governor Tim Pawlenty

130 State Capitol ♦ 75 Rev. Dr. Martin Luther King Jr. Boulevard ♦ Saint Paul, MN 55155

May 30, 2007

The Honorable Margaret Anderson Kelliher
Speaker, Minnesota House of Representatives
463 State Office Building
St. Paul, MN 55155

Dear Speaker Anderson Kelliher:

I have vetoed and am returning House File 2268, Chapter 149, the omnibus tax bill.

I am supportive of many of the tax provisions in the bill such as increases in direct property tax relief to homeowners, sales tax exemptions for agriculture products, acceleration of the single sales factor for corporate income tax and the increase for the military combat credit.

Unfortunately, the bill contains a policy provision that would put government growth on autopilot. I was very clear in communicating my opposition to this measure. DFL leadership and staff were aware prior to the end of session that its inclusion would result in the entire bill being vetoed. This provision could have been removed from the bill prior to final passage, but DFL leadership made a different choice.

When legislators and the Governor assemble the state budget, we shouldn't assume that every program should automatically grow. We need to examine every taxpayer dollar that will be spent and ensure that we are streamlining and keeping government efficient and effective. For some programs, increases will be warranted. Other programs, however, may deserve a smaller increase or perhaps no increase at all. Each program should be evaluated on its merits and the overall growth in the budget should reflect that type of approach rather than assuming autopilot increases.

I also have concerns over the distribution of the property tax relief in the bill as it is not properly balanced geographically. Too much relief would be provided through local government aid programs that benefit only half the population. More relief should have flowed directly to all homeowners.

Speaker Anderson Kelliher

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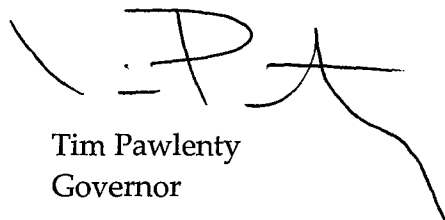
Buying down property taxes through local government aid programs has never proven to be a long-term solution to property tax pressures. The only way to truly hold down local property tax increases is by capping them.

The class rate increases for utilities and pipelines contained in the bill are also a concern. I recommended aid replacement for the few communities most impacted by the Department of Revenue utility market valuation rule change. This bill instead increases the class rate on these properties to offset the market valuation changes. The result will likely be a windfall increase in revenues for some of these communities above and beyond the impact of the rule change. Ultimately, consumers will pay the increased cost.

Another problematic provision is the use of the fiscal disparities program to fund the expansion at the Mall of America. I support having the state assist with public infrastructure improvements related to the Mall of America expansion and would encourage the legislature to explore another funding source that will allow the project to move forward.

I am hopeful that some of the positive attributes of this bill will be passed into law in a form that can be signed in the future.

Sincerely,



Tim Pawlenty
Governor

cc: Senator Lawrence J. Pogemiller, Majority Leader
Senator James Metzen, President of the Senate
Senator David Senjem, Minority Leader
Senator Thomas Bakk
Representative Ann Lenczewski
Representative Marty Seifert, Minority Leader
Mr. Patrick E. Flahaven, Secretary of the Senate
Mr. Al Mathiowetz, Chief Clerk of the House of Representatives
Mr. Mark Ritchie, Secretary of State