



Written by [Bob Adelman](#) on July 20, 2011

Minn. Govt Shutdown Ends With Compromise That Pleases No One

Now that the Minnesota state government shutdown has ended, details of the compromise between Governor Mark Dayton and the Republicans are now public — and no one is happy. At issue was the \$5-billion shortfall between revenues and spending. Liberal Governor Mark Dayton had his own plan for bringing in more revenue: “I believe the wealthiest Minnesotans can afford to pay more taxes,” he commented. Conservative Republicans in the state House and Senate, including House Speaker Kurt Zellers and Senate Majority Leader Amy Koch, dug in their heels on any tax increase whatsoever. In the end, both sides lost.



[As noted](#) when the Minnesota state government shut down, the real bottom-line question had little to do with taxes and spending, and everything to do with the proper role of government. Political science professor David Schultz at Hamline University in St. Paul observed: There’s just a huge gulf here basically between Dayton and the Republicans over their view of government. This is a dispute over what the role of government should be. In other words, is government the servant, or the master? Can spending actually be cut? Will legislators stick to their guns?

Now those questions are answered. Governor Dayton agreed to withdraw his demand for higher taxes on the wealthy in exchange for a Republican plan to back off on their demands to shrink every government agency by 15 percent and to restrict abortion services and stem-cell research expenditures. Dayton further allowed the Republicans to raid the honey pot: the continuing flow of funds from the 1998 Tobacco Master Settlement Agreement which will be paid to the states in perpetuity. Tobacco bonds worth \$700 million will be sold in order to pay for public works on state college and university buildings and prisons and another \$700 million in education costs will be deferred.

Dayton said in a letter to Zellers and Koch:

In my continuing effort to reach agreement with you on a budget and get Minnesota working again, I will reluctantly agree to, although I do not agree with, your signed offer (attached).

Most importantly to me, this proposal bridges the remaining \$1.4 billion gap between us without any more drastic cuts in essential services to the people of Minnesota. It thus achieves my principal objective throughout these negotiations, which has been finding the revenues necessary to prevent the severe reduction in, or even the elimination of, the assistance upon which many Minnesotans lives depend.

Unfortunately, your plan achieves this goal, not by permanent sources of funding, but rather by borrowing an additional \$1.4 billion: \$700 million by increasing the school aid shift and another \$700 million by issuing state bonds against future tobacco revenues.



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Despite my serious reservations about your plan, I have concluded that continuing the state government shutdown would be even more destructive for too many Minnesotans. Therefore, I am willing to agree to something I do not agree with your proposal in order to spare our citizens and our state from further damage.

House Speaker Zellers said that using the shutdown of the government as leverage on the Governor is not a lesson that I would [recommend] to anybody. We did not want a shutdown in the first place. We wanted a lights-on bill that would keep the government funded at 70 or 80 percent while we worked this out. He added:

From the standpoint of whether there's a tax increase or not, absolutely. Is there more spending than we wanted? Absolutely.

It was about making sure that we got a deal that we can all be disappointed in, but a deal that is done, a budget that was balanced [and] a state that was back to work.

Ending the shutdown puts 20,000 state employees back to work, and reopens the state parks and state offices. Because of the additional borrowing in the compromise, a credit rating agency lowered Minnesota's bond rating, resulting in higher interest costs on the state's bonded indebtedness.

A fair appraisal of what actually happened was voiced by state Rep. Mindy Greiling (pictured above): No way can I support this awful 'compromise' further tanking schools, deeper debt, kicking the whale down the road. Mike Benson, a freshman representative, was equally realistic about the compromise:

Certainly were not doing any end zone dances. Realistically there are some things that are going to go down hard. Sounds to me like were kicking the can down the road a little bit with the education shift, but [at least] were not raising taxes.

Now that the details of the compromise have been made public, it reaffirms how things get done behind closed doors. The old saw about there being two things people don't want to know how they are made laws and sausages was never truer than in Minnesota last week.



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