

STATE OF MINNESOTA
OFFICE OF THE GOVERNOR
SAINT PAUL 55155

May 24, 2011

The Honorable Kurt Zellers
Speaker of the House of Representatives
The State of Minnesota

Dear Speaker Zellers:

With this letter, I am vetoing and returning H. F. No. 1010, Chapter No. 46, the Environment, Energy and Natural Resources Finance Bill. Reductions at the levels proposed in this bill to the MPCA, DNR, BWSR and the Department of Commerce would have harmful effects on Minnesotans throughout our state.

In regard to the MPCA's budget, the reduction of 67% to the general fund appropriation hits a few key areas especially hard. Some of the cuts will directly undo the gains made in the timely environmental review and permitting of projects my executive order and H. F. No. 1 accomplished earlier this year. Specifically, the elimination of general fund dollars and staff for MPCA's environmental assistance and multimedia programs is estimated to result in 30 to 45 day delays in wastewater permits for industries and municipalities.

MPCA's clean water activities receive a disproportionate reduction, including support for ambient surface water monitoring, SSTS technical assistance, and Clean Water Partnership grants. Minnesotans wanted more resources to go to these activities when they approved the dedicated funding constitutional amendment, not fewer.

The Agency would also find it much harder to respond to the increasing requests for assistance from citizens, businesses, and its local partners. It is MPCA staff regulated parties prefer to turn to, not high-priced consultants when seeking help to comply with state and federal regulations. Equally troubling is the elimination of funding for the environmental health tracking and biomonitoring program, which is a successful, cross-agency collaboration we need to be expanding, not abolishing.

My fiscal concerns related to the MPCA are not limited to funding reductions. I also oppose the shifts and caps proposed in the bill. Moving penalties from the environmental fund to the general fund (coupled with the significant general fund cuts) effectively disconnects the penalty monies from their intended purpose—having the polluter pay for environmental protection. The reduction in dollars transferred from the environmental fund to the remediation fund will

extend the time it takes to close the remaining closed landfills and require the program to operate at higher staffing levels longer into the future—costing the taxpayers more in the long run.

In regard to the Department of Natural Resources sections of the bill, I have concerns about using environment and natural resources trust fund dollars to fund accelerated efforts to prevent future spread of aquatic invasive species; the state needs a long-term and dedicated funding source to build lasting programs. I urge you to include my Aquatic Invasive Species funding proposal to fund these important programs.

General fund reductions to DNR water programs would negatively impact the Department's ability to support critical water management activities, including dam safety, shoreland management, climatology, ground water monitoring, and flood programs and damage reduction efforts. Managing the state's water supply is critical to supporting drinking water for two-thirds of the state's population and important industries throughout the state.

The general fund reductions for DNR forest management programs would reduce the Department's ability to offer approximately 170,000 cords of wood for sale annually (out of an annual target of 800,000 cords). This has the effect of reducing revenue by more than \$3 million annually, and would have devastating impacts to forest economies in northern Minnesota. These reductions will have huge impacts on Minnesota's forest product industries and threaten thousands of jobs in northern Minnesota that depend on the state's forest economy. In addition, the language related to the State Forest Nursery program is problematic and needs to come out of the bill.

Reductions to DNR's Divisions of Lands and Minerals will result in reduced technical assistance and mineland reclamation-permitting activities, resulting in reduced field inspections and monitoring, delays in permitting decisions, and lengthened permit review timeframes.

The bill does not include my recommendation for restructuring of game and fish license fees and related funding initiatives for a conservation officer academy, wildlife, and fisheries programs. This initiative has the strong support of the hunting and angling community, and I urge your consideration of this proposal.

The proposed reductions to the Board of Water and Soil Resources (BWSR) come on top of multiple reductions since FY02 that would total 46%. By necessity and ingenuity, BWSR and our local government conservation partners have already implemented many cost-savings and efficiency measures during that time period. There is no capacity to absorb \$7M in cuts (26%) in one biennium without compromising the ability of the agency and the local governments to meet the agency's mission and the clean water and conservation goals of the state.

The impacts to the core agency operations and local government programs seriously jeopardize the ability of the state to secure and implement projects with federal conservation funding, which brings in over \$100 million to Minnesota per year. USDA economic analysis (January 2010) shows that every dollar invested results in \$1.28 in total return within Minnesota and that one fulltime job is created or maintained for every \$107,250 of project funding.

This bill will significantly reduce technical capacity statewide, resulting in delayed project design and implementation, including many agricultural practices such as feedlot water quality projects and soil conservation practices. The Federal Farm bill brings in the majority of clean water and best management practice funds available in Minnesota. However, there is very little money available for the technical assistance. It is the responsibility of the state to fund technicians and engineers who get the projects done.

With respect to the Department of Commerce sections of the bill, there will be serious impacts on the Department's ability to fulfill its mission to protect consumers and to ensure equitable commercial and financial transactions and reliable utility services. The Department investigates and resolves consumer complaints, regulates insurance and banking and business activity in more than 20 other industries, advocates for the public's interest before the Public Utilities Commission, and administers various state and federal programs.

The effects of the bill are substantial. The bill contains a significant cut in the Administrative Services Division, which provides department core functions, including the Financial Management, Human Resources and Information Technology. The 31% cut, while offset by increases to unclaimed property staff, hurts these core functions.

My budget contained an appropriation for three positions for the Division of Energy Resources, which were not included in the bill. These three positions would help expedite rate case reviews and other regulatory filings that the Department must process. There was no net impact on the General Fund as the cost for these positions would be assessed to the regulated utilities. These positions are supported by industry.

H. F. No. 1010 contains \$29,707,000 in special revenue fund transfers not contained in my budget. These funds are paid by businesses and individuals for specific and limited purposes. Two of the fund transfers are particularly troubling:

- The bill transfers \$950,000 from the Insurance Fraud Prevention Account, which funds positions in the Department's Insurance Fraud Unit. The transfer would create a severe cash flow gap starting July 1, 2013, jeopardizing anti-fraud efforts and severely restricting the unit's ability to perform its duties.
- The bill transfers \$1,500,000 from the Auto Theft Prevention Account. Funds from this account are used for grants to law enforcement and local units of government for auto theft prevention programs. The transfer will significantly curtail grant-making while the fund is restored to financial health.

Two controversial policy provisions were added to the bill during the conference committee process. Policy language on restrictions to new coal-fired power was added by the conference committee and is highly controversial. This issue is moving through the legislative process on its own and has no place in an omnibus budget bill. Additionally, the bill transfers the Auto Theft Prevention Account from the Department of Commerce to the Department of Public Safety. The account is properly located at Commerce, and I object to its transfer.

Finally, the interplay between the State Government Finance bill and this bill only compound these already significant impacts to Minnesota's quality of life, economic well-being (especially in rural Minnesota), and the sustainability of

Minnesota's valued natural resources. The 15% reduction in staff required by 2015 in the State Government Finance bill will result in valuable workers being laid-off, in addition to those released because of this bill's reductions. Not to mention the additional cutbacks that each of them will be required to take because of the Legislature's \$95 million unallocated reduction in the State Government Finance bill.

I trust we can work together in the coming weeks to find a mutually agreeable resolution to these key government services.

Sincerely,

MARK DAYTON

Governor

[NOTE: Pursuant to Joint Rule 3.02(c), the above vetoed bill, H. F. No. 1010 (Chapter No. 46), which was returned to the House by the Governor with his objections, was laid on the table.]