



Larry Pogemiller, Senate Majority Leader

Civic Caucus, Minnesota State Capitol, Saint Paul

February 19, 2010

Present: Verne Johnson (Chair); Janis Clay, Marianne Curry, Paul Gilje, Jan Hively, Dan Loritz, Joe Mansky, Tim McDonald, Wayne Popham (phone)

A. Context of the meeting - As majority leader in the Minnesota Senate, Larry Pogemiller is the highest ranking state official not running for, or serving as, Governor. This places him in a unique position among the houses of the legislature and the executive. His language has been reflecting this fact, working for a cooperative tone in relation to the Governor particularly.

A month into the session, Mr. Pogemiller is visiting with the Caucus today to talk about some of the topics not typically covered in news reporting: the direction of the state, ideas for reform and what needs to be done to get the state on a path out of this economic and governance crisis.

B. Welcome and introductions- Senator Larry Pogemiller was born a mile from his present home, in what is now the state's 59th Senate District. The district covers much of Minneapolis and Hennepin county. He graduated from DeLaSalle High School in 1969, attended college at the University of Minnesota and began serving in the State Legislature in 1980 when he was elected to the house. He has served in the Senate since 1983. He received an M.A., Public Administration, Harvard University, JFK School of Government, 1988.

C. Comments and discussion - During the course of the conversation, the following points were made:

1. The need to look at ways of doing things differently— After the introduction of Mr. Pogemiller, a member provided an introduction to the present position and focus of the Civic Caucus. "There is a structural imbalance in the state budget," the member said, quoting John James, former Commissioner of Revenue. A graph illustrating the disconnect derived from information provided by state demographer Tom Triplett and state economist Tom Stinson, may be found at: <http://tinyurl.com/yj6ba3n>.

The member continued, "We submit to you that taxing, cutting and growing the economy cannot together resolve the long-term imbalance of the state budget. We are separating the question of 'how much' taxing and cutting occurs from the question of how things are done." Each year the gap between costs and revenues, all held constant, will grow larger and larger. There is a growing movement in this state arguing this can only be resolved by changing the way the state delivers its services.

2. The 2010 session will not balance the state's budget— Mr. Pogemiller said, in response to a question about how he sees the session resolving itself. "We will end. I can tell you that. But the budget that the Governor presented earlier in the month is not a balanced budget."

"We simply cannot balance the state budget without revenue." Will you end the session with a balanced budget? "No. Someone will say the budget is balanced, but it won't be."

"The reason why there has not been a Kumbaya at the end of each session these past few years is because people know there is a structural imbalance."

3. In order to balance the budget three things will need to occur— "If you want to balance the budget, three things will need to be done:

(1) **Reduce spending—** Well thought out and constructive cuts in the rates of spending, in real dollars.

(2) **Redo spending design—** Re-engineer government-what is being called redesign-but there does not appear to be a ripeness to do that.

(3) **Raise Revenues—** Must raise money. It is a simple fact that the budget cannot be balanced without new revenue. But we are willing to compromise."

4. Opposition to proposed constitutional amendment— The Senator discussed the Governor's proposed constitutional amendment that caps general fund spending. Its language:

"Shall the Minnesota Constitution be amended to require that state government general fund expenditures be limited to the amount of actual general fund revenues received by the state in the previous two-year budget period?"

"This represents a failed governance model," the Senator said. "And the Governor does not accomplish this in his proposed budget," using one-time monies and anticipating additional Federal funds not yet voted on by Congress.

5. Targeting the cost drivers of the state budget— Following the Senator's emphasis on cutting services and raising revenue, a member asked whether this would get at the root of the budget problems, that costs of operations are rising faster than available revenues.

"It's health care," Pogemiller said, about the main driver in the state budget, affecting even other areas of spending like education. "Half of it is demographics, with an aging population and the young people" coming up being from groups less likely to perform at the same levels in the workforce and throughout the economy."

The Senator does not believe people will accept a reduction in services. "In a democracy, will we deliver less for health care? I don't think that will happen." A member asked about finding ways to deliver the same services at a lower cost. "Yes, but you won't get to zero," the Senator responded.

6. The appetite for reform is not developed— Here he got to the question of redesign again.

"With education and government reform-the roadblock is not the government, it's the citizenry. In a democracy you can't do things the people don't want." There is institutional resistance, too-structures are difficult to change. "(Minneapolis Mayor) Rybak tried to create a Metro fire agency. It wouldn't work. First he would have had to get past the Chiefs, then Sheriffs...on down the line."

This has been a problem for the third-party candidates, he argued—the good government folks. "Perhaps the reason why you're getting 7 percent of the vote," he said, rhetorically, "is that people don't want it," the reform. "Part of being a policy maker is not just getting it right, but getting it done. I'm not criticizing the Independence Party...just saying that they're not getting the job done." Then he added, "And the Republicans and Democrats aren't getting the job done either, as a group."

7. Public pensions are troubled but fixable— Pogemiller was asked about a report issued this week by the Pew Center for the States, highlighting unfunded liabilities in state and local government throughout the nation. For Minnesota, the Pew report said public pension assets in Minnesota are \$47 billion and liabilities, \$57 billion, a \$10 billion gap. <http://bit.ly/bvxPGk>

Is there a structural imbalance in state pensions?

"Not now," , Mr. Pogemiller said, but "We did not pay as we went-employer or employee-the problems that exist now came before implementing pay as you go. This is fixable. Right now, with the budget as it is, it is difficult to ask for an increase in appropriation to cover the shortfall."

8. The relationship between the state and localities is changing— "I think we're pretty close to unraveling the Minnesota Miracle, which is not a good thing. If it weren't for the drop in housing prices people would be shocked at the level of the property tax right now.

"I think we are going to end up reinventing the relationship between the state and local governments." For example "a parking meter violation in Minneapolis costs \$42—\$20 of that put on by the state for courts. The way you fix that is by fixing the Minnesota Miracle." Someone will end up paying, but it needs to be spread more evenly.

A member asked the Senator if he sees any possibility of reforming the *structure* of state government at the same time? There are multiple proposals for reform of Local Government Aid (LGA) floating around. The Senator would like those to come forward, but he does not support its abolition.

9. It is possible to get consolidation of social services?— The state has a Joint Exercise of Powers law (<http://tinyurl.com/y9ct8qx>) that already allows for cooperation between or among two or more government units. They may "cooperative(ly) exercise any power" that just one of them performs.

"There is potential for the consolidation of services in districts, in counties and with pensions. The proposals need to come from an outstate legislator or Governor with strong roots in greater Minnesota," who can bring the right message statewide: Don't worry, our lives won't change as a result. "It can't come from someone in the Metro," or it will look like the urbanite dictating statewide.

10. K-12 Education should continue to open, and become increasingly consumer-driven— "I'm speaking only for myself here," he said, pausing; "not my position, not my party.

"It is very clear that without the introduction of market forces in education we cannot get there. The system was built to last, and it's lasting, despite outcomes. Early childhood and higher ed provide models," for their openness and responsiveness to student and societal needs and for being consumer-driven. "As the citizenry gets more educated, we can put faith in parents to make decisions," in early, primary, and secondary education."

"We're creeping up on this in Minnesota," he said, citing the progression of initiatives that have taken and kept the state at the front of structural changes in K-12. "post-secondary education options, open enrollment, chartering" all provide more options to their students and teachers," he said.

11. Support for early childhood education — The Senator likes to say that if he "has one dollar (he'd) like to see it go to early childhood because research shows that's where it's at." But not just because of the importance of early intervention—there is another reason: "because of market forces," and parents' ability to direct. "They have problems," he said; they are not perfect. But the front and back-ends of our education processes have degrees of openness and flexibility that are basic and necessary for the K-12 system.

A member asked the Senator if he is referring to a voucher system. He was clear that, in principle, he believes strongly in a consumer-driven system of education, from the early years through college. "Access is the key," he said.

Speaking about the opening of the education system, the Senator said "Politically, whoever gets there first will be viewed very positively in the future."

12. Impact of new technology on education — "We had a speaker recently," the chair said, "who argues that new technologies are the future of education." What/think?

"Technology has its place," Pogemiller said. "That will happen. But I go back to Socrates—to Plato in his cave—we cannot, will never, replace the wise teacher."

He thought some, paused, said: "But return on investment could be massive if we can personalize learning. And technology can make a contribution here," moving the job of teaching from delivery of information to a mentoring, Socratic method.

He continued: "Make policy innovations now. Get K-12 out of this service-delivery model. Use early education and higher education to model for K-12. It is an access question—if a religious institution can provide early education let them." Vouchers are okay. "It's access."

13. The ground is shifting below the entire industry of higher education— A member asked Pogemiller if he sees any major changes coming for higher education.

"Yes," he said. "Not by policy, but by the market." The question is being called now whether "the classroom model is as efficient as it could be." Online schools will be serious competition. "Capella is here," he said, matter-of-factly.

Things are going to change. "We've already gone to a high-tuition model, and we will see if people keep going." The Senator said that he is less concerned with what type of education is provided—public

/private, online/physical, private/non-profit-than he is about the ability for people to go to school. Echoing his comments on E-12, he argued we should let things play out. "As long as we are able to assure access, it will settle itself."

14. Tax policy will migrate toward choice— A member asked whether we are taxing the wrong things as a state, when he can buy an Armani suit one day and pay no tax-yet to start a hog farm there is a litany of taxes, fees, procedures...

"The answer is yes," Pogemiller agreed, "but when you get to the specifics of what to tax or not tax, you've got to build a majority around individual items" and that won't happen easily.

"Ventura identified something important-that people care whether they have a *choice* in what they're taxed on. Consumption-based taxes are probably where we're going but we can't do away with the old liberal notion of ability to pay. You move quicker as a state when you have some semblance of equality in the tax system and incomes;" when there are not large gaps between the rich and poor. The economic gap suppresses economic growth.

Pogemiller said the state could collect more revenue tied to consumption, such as internet services not now taxed.

15. The Governor's election, and getting back to the 'State that Works'— (For the 1973 TIME cover story, see: <http://tinyurl.com/y9hthj>)

"Minnesota needs to get back to the character of the 1970's when a lot happened. The '60's/70's period was controversial-it wasn't a love fest-but things got done.

16. Key issues for the campaign for Governor — If you were running for Governor, a member asked, what issues would you raise?

"I would be direct with people about the situation we face, and do it in a way so that I could still get elected. Being able to describe it to people while getting them to (1) understand, (2) accept the risk of adopting necessary measures, and (3) commit.

"The next governor should first stress this imbalance," he said, pointing to the graph provided above, "and fix it. Next-and this is tough-invest in early ed. I don't believe any structural reforms in higher education can overcome the raw material coming in." We have got to take care of the quality of talent being cultivated in this state.

"I was at a press conference recently," Pogemiller said, "and someone asked me who was my favorite governor to serve with." He to think about it. "I found myself surprised to say Governor Carlson. Governor Carlson had clarity of mission, an ability to accept differing opinions and look for the facts, a willingness to listen and change. That is what we should be looking for now. Who are the people who will step back from who they are, and govern for the state?"

17. The 2011 election needs a clear articulation of the problems if it is to effectively change the environment— "Elections have a way of bringing focus to problems," Pogemiller said, and solutions to them, shaking things up. But it is not assured. "If the election takes place without clear messages of the problem, the potential benefits of ideas are not realized."

