



For Immediate Release
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Governor's veto of tax bill is a blow to fiscal responsibility: Provision to give policymakers the fiscal facts dies along with bill

(St. Paul) – The tax bill legislators sent to the Governor restores inflation in the state's financial forecasts. Unfortunately, the Governor's decision to veto the tax bill today means the quality of the state's budget debates will continue to suffer.

Including a measure of inflation in the forecast does not guarantee any budget item an inflationary increase. Instead, restoring inflation would provide policymakers and the public with a rough understanding of whether fiscal decisions are sustainable. The responsibility for making budget choices would, as always, remain in the hands of policymakers.

"Somewhere along the line some have stopped seeing the financial forecast as the *beginning* of the budget debate and started to talk as if it somehow *decides* the budget debate," said Christina Wessel, Minnesota Budget Project deputy director. "This isn't about putting government on autopilot; this is about getting our facts straight before we start setting a budget for the state."

Policymakers approved an obscure provision in 2002 which expressly prohibits the Department of Finance from considering the impact of inflation on most areas of state spending when preparing major financial forecasts for the state, although the forecast continues to include inflation on the revenue side.

"Policymakers have been pretending they can ignore the impact of inflation on the state's budget," said Nan Madden, Minnesota Budget Project director. "The Governor's decision to veto the tax bill ignores the advice of many prominent public finance officials who agree that we need to include the impact of inflation in the forecast."

"Financial forecasts lay the groundwork for budget discussions," said Madden. "Legislators and the public should have an accurate sense of whether our current levels of resources are sufficient to sustain our current level of commitments."

The Governor's decision to veto the tax bill means the state has lost an important opportunity to fix the state's forecast process. "Politics and looming deficits led legislators to take inflation out of the forecast in 2002," said Wessel. "It will take a strong measure of fiscal responsibility to put inflation back in again."

The Minnesota Budget Project has been advocating for a "Better Budget Process" throughout the 2007 Legislative Session – pressing for reforms to ensure a decision-making process that is responsible, accountable, and informed. Restoring inflation in the state's financial forecasts is a cornerstone of that effort.

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Additional Resources:

Statement from prominent public finance officials in favor of restoring inflation in the forecast:

<http://www.mncn.org/bp/forecaststatement.htm>

Minnesota Budget Project's "Campaign for a Better Process" homepage:

<http://www.mncn.org/bp/betterbudgetcampaign.htm>

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The Minnesota Budget Project — an initiative of the Minnesota Council of Nonprofits — provides independent research, analysis, and advocacy on budget and tax issues, emphasizing their impact on low- and moderate-income Minnesotans and the organizations that serve them. www.mncn.org/bp

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