

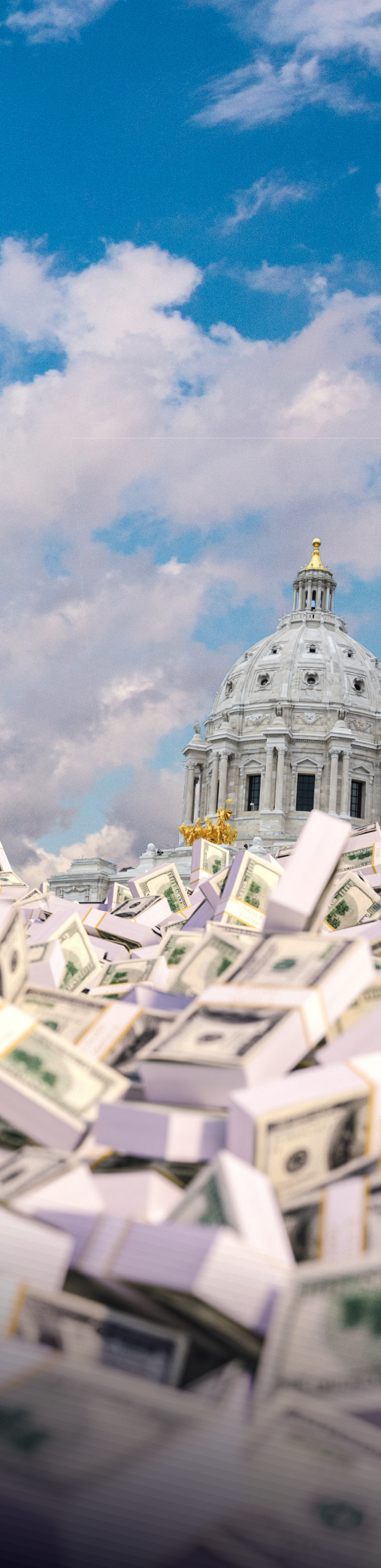
A yellow tractor is shown from a low angle, dumping a large quantity of stacks of US dollar bills into a large, dark metal bin. The stacks of cash are piled high and spill out of the bin, creating a sense of abundance and expenditure. The background is a bright blue sky with scattered white clouds.

≡ LEGISLATIVE SESSION

# SPENDING AND STAMPEDING

The 2023 legislative session was a study of pushing through an ideological agenda.

By  
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**W**ith the 2023 Minnesota legislative session in the history books, Gov. Tim Walz worked with Democratic majorities in the House and Senate to accomplish everything on their wish list. We won't have to wait very long to judge whether the decisions they made will have a positive or negative impact on the future of the state. Metrics like population migration, state GDP growth, unemployment, consumer energy prices, student achievement, and crime rates will give us a good indication of where the state is headed. The most obvious test of the tax and budget decisions of this session will be the next few state budget forecasts. Can the Minnesota economy survive what just happened or will we whiplash from a \$17.6 billion surplus to a deficit?

### They came, they spent, they taxed, they spent some more

At first, legislative Democrats and Walz stuck to the budget targets they released on March 21, 2023. But as the session wore on, their appetite for spending grew, and new revenue streams were identified. Taxes on income, sales, businesses, cars, boats, marijuana, and delivery fees were not enough to cover the spending. So, at the last minute, a gas tax increase (indexed to inflation) was added, with most of the money dedicated to transit. Transit! Even in the face of a changing workforce after the pandemic, Democrats in Minnesota are stubbornly shoving money down the rathole of light rail, heavy rail (to Duluth!), and bus rapid transit.

Total tax increases for the next four years are over \$8 billion. The two-year state budget is growing from \$52 billion to \$69 billion, a 32.7 percent increase. The surplus was roughly divided between one-time spending (\$12 billion) and ongoing spending that will require ongoing revenue (\$5 billion). The one-time money went for big-ticket items like paid family leave, housing, bonding, tax rebates, free college tuition and

broadband. It also padded the budgets of every state agency for the 2024-25 biennium.

The “largest tax cut in history” you read about in the paper is nothing more than a redistribution of wealth. Most of the relief provided will go to families that had no state tax liability to begin with. The Walz checks shrunk from \$1,000 during the 2022 campaign to \$260 per person in the tax bill, and the child tax credits phase out after only \$37,500 of income for families. Fewer seniors will have to pay state taxes on their Social Security income, but it doesn't come close to the promise of full repeal made by Democratic candidates in 2022.

All these tax changes will be more than offset by the increases. Democrats are oblivious to the fact that the changes made during the 2023 session will put us into a tax revenue and big government death spiral that will only be overcome by rolling back some of these programs and reining in state government spending.

### More government spending equals more state employees

The ongoing spending (paid for with new revenue from tax increases) is now baked into the base budget. Since the government doesn't produce anything, most of its costs come from personnel in the form of government jobs. The new budget includes thousands of new state government (union) employees. Hundreds will work for newly created bureaucracies for Paid Family Leave, Cannabis Management, and Children, Youth, and Families.

As usual, spending on Health and Human Services (HHS) received the largest increase in spending. The failure to control the growth in HHS spending will come back to haunt the state when revenues inevitably drop, and Minnesota finds itself in a deficit.

### Education spending on autopilot

Every session, legislators in both parties cave to the teachers' union and add



money to the per-pupil funding formula. But this year, Democrats took it a step further by automatically tying future increases to inflation — sort of. The formula will now increase automatically at the rate of the Consumer Price Index (CPI), but within a band not less than two percent or greater than three percent per year. So, the largest expenditure in the state budget will automatically increase between two and three percent every year. This works fine when there is a \$17.6 billion surplus but will cause tremendous pressure to raise taxes in future years if Minnesota is facing a budget deficit.

Since K-12 education and HHS spending account for almost 70 percent of the entire state budget, putting them on automatic spending increases is unsustainable.

To further deepen the potential black hole in the education budget, the state now mandates that local school districts allow their seasonal hourly employees, such as bus drivers and cooks, to participate in the unemployment insurance program for the summer. This will raise insurance costs for every school district and take even more workers out of the labor force as hourly school workers collect unemployment instead of seeking another job during the summer months.

The unfunded mandate of inserting divisive ethnic studies into the entire K-12 curriculum will also cost local school districts money as they are forced to add new permanent staff.

### More money on the state credit card

Although Minnesota has a constitutional requirement for a balanced budget, the legislature is allowed to borrow money for capital building projects. In the 2023 session, they committed future taxpayers to \$1.5 billion in debt, to be paid off over the next 20 years. Debt service has become one of the fastest growing areas of the state budget. In addition to borrowing, the bill included another \$900 million in cash spending on projects, otherwise known as pork.

The 2023 capital projects bill includes hundreds of millions of dollars for

swimming pools, hockey rinks, curling clubs, art centers, film facilities, bike paths, community centers, zoos, ski chalets, and our favorite, the National Loon Center.

Thirteen cities convinced state taxpayers to pay for their fire or police stations, including Edina, Hibbing, and Minneapolis. Why are income taxes used for police and fire stations in some cities while everyone else uses their property taxes? The bill also includes millions for local street projects in cities like Savage, Burnsville, and Plymouth. Again, local streets should be paid for with property taxes, not state income taxes. Another core function of cities is

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water management. There are millions of dollars in the bill to pay for water treatment and wastewater management projects in cities across the state. Why do some cities receive money for local street and water projects from the state while the rest use their property tax levy?

Cities that plan ahead and take care of their infrastructure look like suckers when other cities get the legislature to fund their core services. Walz also signed a bill this year to fund the replacement of lead pipes throughout the state. Again, many cities don't have any lead pipes left because they used property tax revenue to upgrade their infrastructure over the years.

An analysis of which districts won the capital projects lottery shows that it's not necessarily the powerful committee chairs and senior members securing these pork projects for their districts. In fact, it's the opposite. Much of the pork goes to districts represented by newer, more politically vulnerable members under

the mistaken belief that “bringing home the bacon” will bolster their reelection chances. There is no evidence that delivering projects in a borrowing bill leads to electoral success.

### Higher electricity costs and blackouts

One of the first things passed in the 2023 session was the “Blackout Bill,” requiring all electricity in Minnesota to come from carbon-free sources by the year 2040. No one who supported the bill, including Walz, has any idea how much it will cost the state, or more importantly, how much it will increase electricity prices for consumers. American Experiment testified at every opportunity, warning legislators the bill will cost electricity customers an average of \$3,880 per year, but we were politely ignored. Walz calls climate change an “existential threat to Minnesota” and promised this legislation will lead to “reliable, affordable electricity for all Minnesotans,” but never provided any proof for these claims.

The Blackout Bill will cost Minnesotans billions between now and 2040 and will help cripple any economic growth in our state. In the highly regulated world of public utilities, electricity price increases are not only de facto tax increases, they are regressive tax increases, hitting the poor and middle class the hardest.

### Paid family leave

This massive new state government program requires its own tax on every employee and employer and creates a new bureaucracy with up to 400 employees. Large companies that already offer paid family leave will not be able to match the generous state benefits, so they will be forced to fold up their programs and join the state plan. Small businesses will be forced to make tough decisions about how to stay open when key employees go on paid leave, likely resulting in job loss. There are no exemptions for small businesses — everyone is mandated to pay the tax and join the program. Forcing companies to



give paid time off sounds good, but it will slow down Minnesota's GDP growth and result in lower wages and fewer jobs for Minnesotans.

## Free stuff

Many are asking how hard it will be to undo some policy changes made during the 2023 session. The answer is that it's possible, but it will be difficult. Once the government gives people something, it is hard politically to take it away. And the Walz/DFL coalition gave Minnesotans lots of "free" stuff this session.

- Free lunch and breakfast for all students, no matter their family income.
- Free college tuition for students whose parents make less than \$80,000 per year and illegal immigrants.
- Free health care for illegal immigrants.
- Free housing.
- Free time off from your job if you're pregnant or to take care of family.
- Free childcare.
- Free menstrual products in all school bathrooms, including boys'.

Of course, none of these things are actually free. They cost real money paid by real taxpayers until there are not enough taxpayers willing to pay. Margaret Thatcher famously said, "The problem with socialism is that you eventually run out of other people's money." With the increase in permanent spending, paid family leave, education funding tied to inflation, and free stuff for everyone, Minnesota is on the verge of running out of other people's money.

## Minnesota is less safe

Ever since the riots of 2020, 80 percent of Minnesotans have consistently told the *Thinking Minnesota* pollsters they are concerned with crime. Unfortunately, nothing was done to improve the public safety situation in our state during the 2023 session. In fact, the state will be *less* safe. The most damaging legislation will allow all but the most violent criminals in our prison system the opportunity to

cut their sentences if they enroll in one or more of the Department of Corrections commissioner's rehabilitation programs. The state shouldn't have to lower sentences to achieve the worthy goal of inmates going through drug and alcohol treatment or education programs.

The legislature also legalized recreational marijuana use, with bill authors claiming it will make the state a better place to live. That claim will be hard to realize with the black market getting a one-year head start on retail operations and a tax and regulatory scheme many pot growers will choose to ignore. Instead of passing laws to end the lawlessness that continues in our cities, the legislature wasted time and energy passing two gun control measures that will have more impact on law-abiding gun owners than criminals.

## Stacking the deck in elections

There is a tradition in the Minnesota legislature that bills dealing with election law achieve bipartisan support. After supporting the tradition in his first term, Walz suddenly had no use for it now that his party controls the House and Senate. In fact, Democrats in the Minnesota legislature passed a series of partisan election law changes that will result in more Democrats voting in the next election.

Democrats voted to allow convicted felons the right to vote even before their sentence is finished (in other words, once they are out of prison but still on probation). Many felons never spend a day in prison, so after this change, they will never lose their right to vote. Another change will automatically register everyone who receives a driver's license or state ID card to vote, including 16- and 17-year-olds.

The most dangerous change from a voter fraud standpoint is the creation of a lifetime absentee voter list, so voters won't have to ask for a ballot each election. Making absentee voting "automatic" under the guise of convenience is inviting fraud. Another provision will criminalize speech by making it a gross misdemeanor

to "transmit false information" about an election within 60 days of voting. Chilling.

## Minnesota's new tourism: abortion and trans refuge

The liberal wing of the legislature didn't have to work hard to convince Walz to sign a suite of bills making Minnesota an island of radical social policy in the Midwest. They stripped all abortion language from state law, making our state the most permissive and liberal in the country (and the world) when it comes to abortion on demand, up to and beyond the moment of birth. They passed a trans refuge bill that protects "gender affirming care" for children, including chemical castration and genital mutilation. And they created a new protected class under the state's human rights statutes for pedophiles. Walz and legislative leaders repeatedly referenced these bills as part of their plan to attract people to Minnesota.

## There is hope

While it would be natural for Minnesotans to view the 2023 session as overwhelmingly negative, there are reasons for hope. First, some good policy made it across the finish line this year including stronger price transparency rules in health care that will provide a market-based hedge against efforts to socialize medicine and increase costs. The legislature also made important changes to how we teach reading in the state, bringing back proven phonics-based curriculum. And Walz asked for and received funding for an Office of Inspector General at the Minnesota Department of Education to investigate and prosecute fraud.

For decades, going back to that iconic *TIME* magazine cover celebrating the "state that works," Minnesota's strong and diverse economy has enabled our steady march toward big government socialism. The policies and budget enacted during the 2023 legislative session will strain that economy more than ever, but Minnesotans usually prevail. If you're not convinced, maybe find peace in this fact: The next legislative session doesn't begin until February. ★