

State budget deal includes several provisions left out of ‘global’ agreement signed by Walz, legislative leaders

The side deals including additional tax cuts and funding to help Minneapolis and St. Paul businesses.

By [Peter Callaghan](#) | Staff Writer



Gov. Tim Walz, with budget agreement in hand, leading Senate Majority Leader Paul Gazelka and House Speaker Melissa Hortman to a May 17 news conference.

[MinnPost photo by Tom Olmscheid](#)

2 mins ago

The budget deal between Minnesota Gov. Tim Walz and the two top leaders of the state Legislature struck two weeks ago was grandly termed a global agreement.

The two-page document — [signed by Walz, House Speaker Melissa Hortman and Senate Majority Leader Paul Gazelka](#) — contained the dollar amounts each of 14 spending bills could not exceed and 10 other provisions that were part of the agreement.

But that deal is not the only deal agreed to by the three leaders. Hortman and Gazelka now say there were other stipulations that didn't make it onto the "Global Agreement Working Group Framework," including additional tax cuts and funding to help Minneapolis and St. Paul rebuild buildings and property damaged in the unrest following the killing of George Floyd last year.

Gazelka, an East Gull Lake Republican, said not every point of agreement was on the two-page document released two weeks ago. "We had some discussions about a number of issues that frankly aren't in writing anywhere," he said. "We're just trying to say these are the things that are important. That's the only document where there's anything written down with signatures. But there are certain things we all want to see that we're trying to navigate through."

Some of those things are still being negotiated, he said. "There are a few issues that we each thought the other person said a certain thing and we'll make sure those are clear too."

The numbers outlined in the two-page document were described as the only thing Walz, Gazelka and Hortman would require of the legislators who would piece together the hundreds of other decisions about spending and language in the omnibus bills.

While Hortman, DFL-Brooklyn Park, balked at the additional provisions being described as “pocket agreements,” she did concede there is more than was included in the deal unveiled at a May 17 press conference.

“All this we talked about at the table,” Hortman said of the weeks of talks with Gazelka and Walz that eventually produced the global spending agreement. “There was a lot of conversation but not necessarily agreement on things.” When there was enough of a sense that all three supported something, direction was given to each sides’ negotiators, she said.

Two of those things are tax cuts. The global deal determined that the next budget would include \$644 million in tax cuts in the first of two-years, with two measures making up the bulk of the money: forgiveness of taxes owed on pandemic-related paycheck protection plan loans; and taxes owed on the \$600 per week unemployment benefits.

On the last day of the regular session, Hortman said that “we did not give them any direction on the \$110 million” left over after those two provisions are accounted for.

But Friday, she acknowledged that two additional tax cuts must be in the final taxes omnibus bill: one favored by her, the other favored by Gazelka. Hortman wants to reinstate the movie production tax credit, which will cost \$20 million.

[Minnesota once had such a credit](#), but it expired, and Hortman said it could bring movie and TV production to the state, employing film production workers who suffered near complete job loss during the pandemic. “At some point, someone will tell the story of George Floyd and that should be

shot in Minnesota,” said Hortman.

The Gazelka-favored tax cut would exempt certain construction materials from sales taxes for [local government public safety construction projects](#). That would cost state tax collections \$17 million over the next two years.

That has left the taxes working group with only \$73 million to work with, not \$110 million, which has put at risk other tax credits, including [the historic preservation credit that will expire this summer if it is not renewed](#).



Adam Duininck

When combined with federal historic preservation credits, the state credit can make some otherwise unfeasible projects make sense, said Adam Duininck, the director of government affairs for the North Central States

regional council of carpenters. “If we allow the tax credit to sunset, we’ll lose our history and we’ll lose those good-paying jobs that keep union members employed,” Duininck said during a press conference outside the state Capitol Friday.

Rep. Cheryl Youakim, DFL-Hopkins, is the prime sponsor of the historic rehab credit. She said she wants this in the final bill but “there are a lot of folks clamoring” for their tax issue as well.

“That’s why we have people here, to push this across the finish line,” she said.

Other agreements?

Hortman said there are other agreements for spending that were not included in the signed agreement by her, Gazelka and Walz.



State Rep. Cheryl Youakim

One is that the Public Safety and Judiciary spending bill must include money to refill the disaster contingency account and [the Hometown Heroes fund](#), which provide financial help to firefighters struggling with work-related health issues.

Another is an expectation that \$150 million in the Labor and Workforce omnibus bill be used to help businesses hurt by the pandemic or during the unrest following the murder of Floyd. The chairs of that working group — Rep. Mohamud Noor, DFL-Minneapolis, and Sen. Eric Pratt, R-Prior Lake — would decide how to spend it, Hortman said.

“We told Chair Noor and Chair Pratt you can do loans, you can do grants, you can do appropriation bonds. Figure out how to leverage this \$150 million amount to reach the most people,” she said. “They have all sorts of tools in the toolbox to figure out how to do that.”

Walz press secretary Teddy Tschann said there are no side agreements that the governor has made besides those outlined in the signed document. “Decidedly not,” Tschann said.

He said there could be agreements between Hortman and Gazelka that Walz hasn’t signed off on. One of those is the reinstatement of the film tax credit.



Office of the Governor

Teddy Tschann

But during [a KMOJ radio interview](#) on May 24, Walz did mention one of the provisions not outlined in the global agreement — the \$150 million to help Minneapolis and St. Paul.

“We have a budget, and my expectation is in the budget agreement we made there’s \$150 million to rebuild these streets,” he said. “I said this was a disaster, much like a flood or a tornado. These businesses here are the heartbeat. They’re also the opportunities, they’re the dreams of those families. We need to make sure we’re there to support and to help them.”

Tschann said Monday the governor meant to say that while it hasn’t been agreed to yet, “It’s a top priority and he’s optimistic they come to a final agreement on it soon.”

That money remains controversial among many Republicans in the Senate, who see it as a bailout for cities that didn't do enough to stop rioting. Last session, aid was made available for riot-damaged businesses could apply for, but the money wasn't reserved for those businesses.

Gazelka said last week that it isn't unusual for the legislative leaders to have to clarify the details of the global agreement with committee chairs, but he said those working groups are making the decisions on the details of the bills.

"We don't want to step in front of what the House and Senate are doing," Gazelka said. "I'm expecting my chairs and their committees to do most of the work, which is what they asked for two years ago."

Only if the conference committees aren't able to reach agreement will the Big Three step in. And of those issues, most will likely "go overboard," Gazelka said, if there is no agreement among him, Walz and Hortman.

'The public has no idea what's going on'

According to the agreement, budget working groups were to have completed their spending spreadsheets by May 28. Some did, most didn't. But in keeping with the secretive nature of these working groups, the details of the agreements have not been released



State Rep. Paul Marquart

House Taxes Chair Paul Marquart, DFL-Dilworth, said no agreement has emerged yet on the taxes omnibus bill.

Rep. Greg Davids, a Preston Republican and the lead GOP member on the House Taxes Committee, said he was unaware of any side agreements on tax credits or cuts. While he said Marquart had been good about talking to him about issues, there have been no meetings of a tax working group since the regular session ended May 17.

“This is being put together in the dark of night in smoke-filled rooms,” David said. “The public has no idea what’s going on. And you know what’s really scary? A hundred and ninety nine other members don’t have any idea what’s going on.” There are 201 members of the Minnesota Legislature.

The bill language in 14 different budget areas is supposed to be completed by each work group by this Friday so as to give legislative staff time to draft the agreements in bill form for an expected June 14 special session.