

# 2022 ELECTIONS AND SESSION OUTLOOK

MINNESOTA CHAMBER OF COMMERCE

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COMMERCE**

GROWING MINNESOTA

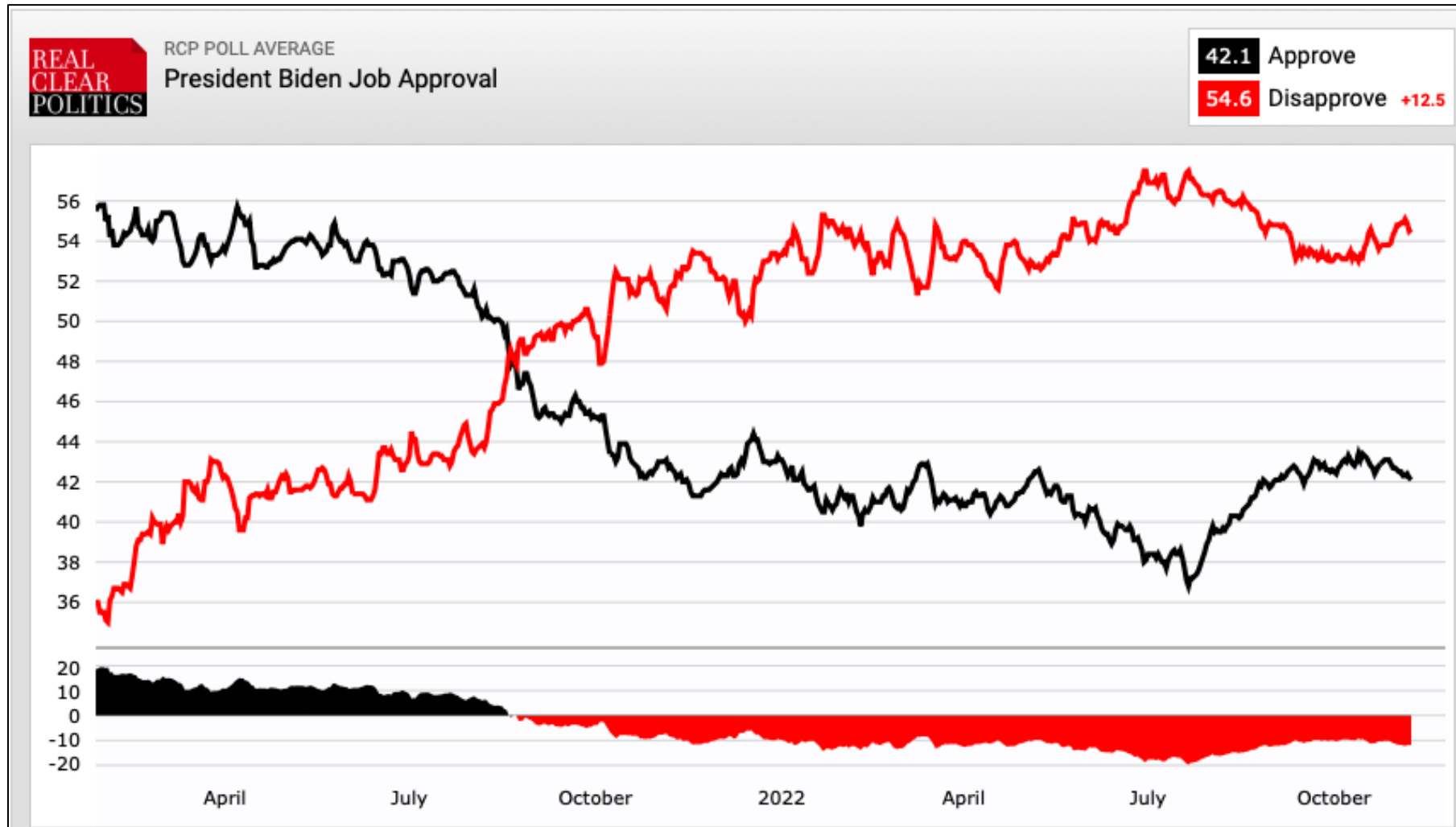
# MIDTERMS IN MINNESOTA

Traditionally the party that controls the White House loses seats in the Legislature

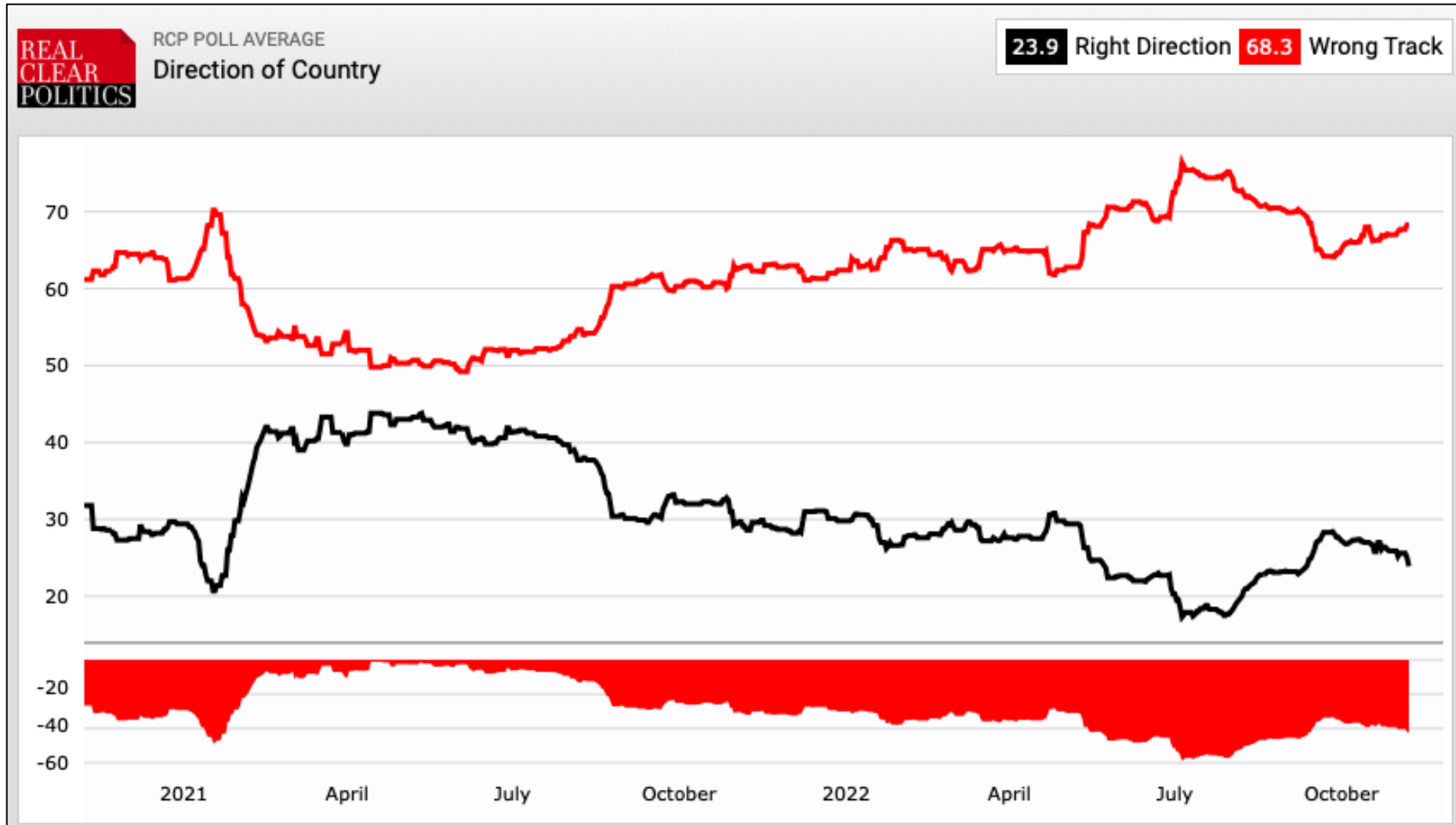
YEAR	HOUSE CONTROL	SEATS	SENATE CONTROL	SEATS	PRESIDENT
<i>2022</i>	<i>DFL 70-64</i>	<i>No Change</i>	<i>DFL 34-33</i>	<i>+1</i>	<i>Biden</i>
2018	DFL 75-59	+18 DFL			Trump
2014	GOP 72-62	+11 GOP			Obama
2010	GOP 72-62	+25 GOP	GOP 37-30	+16	Obama
2006	DFL 85-49	+19 DFL			Bush
<i>2002</i>	<i>GOP 81-52</i>	<i>+11 GOP</i>	<i>DFL 34-31</i>	<i>-4</i>	<i>Bush</i>
1998	GOP 71-63	+7 GOP			Clinton

*Green = mid term + re-districting*

# NATIONAL POLLING – BIDEN JOB APPROVAL



# NATIONAL POLLING – RIGHT TRACK/WRONG TRACK



# WHAT ABOUT MINNESOTA?

## Governor

- **DFL: Tim Walz: 52.27%**
- **GOP: Scott Jensen: 44.60%**

## Attorney General

- **DFL: Keith Ellison: 50.37%**
- **GOP: Jim Schultz: 49.53%**

- **2022 Turnout: 2,510,631 (est 61%)**
- **2018 Turnout: 2,587,287 (64%)**

## Secretary of State

- **DFL: Steve Simon: 54.53%**
- **GOP: Kim Crockett: 45.38%**

## State Auditor

- **DFL: Julia Blaha: 47.47%**
- **GOP: Ryan Wilson: 47.12%**

## House Results 70-64 (DFL) – majority remains unchanged

- 6 incumbents lost (4 GOP, 2 DFL)
- 46 new House members
- 14 Districts won by less than 700 votes
- DFL won their four closest races by 1,471 total votes (Coon Rapids, St. Peter, Blaine, Chanhassen)

## Senate Results 34-33 (DFL) – majority changes from GOP to DFL

- 1 incumbent lost (1 GOP); DFL picked up two Greater MN seats
- 24 new Senate members
- 3 districts won by less than 705 votes.
- DFL won their closest race by 321 votes (Cottage Grove). GOP won their closest race by 186 votes (Coon Rapids)



## Battleground Districts

### Senate

- 4 in Greater MN - Arrowhead, Moorhead, Iron Range, St. Cloud
  - 3 DFL wins, 1 GOP win
- 8 in Metro - 4 north metro, 2 east metro, 2 south metro
  - 4 DFL wins, 1 GOP win

### House

- 11 in Greater MN - Arrowhead, Iron Range, St. Cloud, St. Peter, Austin, Rochester
  - 5 DFL wins, 6 GOP wins
- 18 in Metro - 3 west metro, 5 north metro, 4 east metro, 6 south metro
  - 13 DFL wins, 5 GOP wins

## What does single party control mean for our members? Leaders said:

- Ease inflation pain – more money in people's pockets; lower property taxes; create good jobs
- Substantially invest in education
- Make sure Minnesotans can make their own health care decisions
- Innovate around climate change
- Protect collective bargaining
- Pass ERA amendment
- Prevent price gouging
- Election reforms
- Make health care more affordable
- Address affordable housing crisis





# 2022 NEW MAJORITY PRIORITIES

## *If history is a guide....*

### **Governor Walz proposed significant tax increases - even with large budget surplus**

- Last budget cycle, \$1.6 billion surplus – Governor proposed increasing general fund spending 10%; 11.25% corporate tax increase; new 14.5% capital gains tax; new 5<sup>th</sup> tier income tax of 10.85% (>\$1M); \$2.2 billion employer funded paid leave payroll tax
- “Corporations and the wealthy are not paying their fair share”
- State spending > 10% but permanent tax relief considered unsustainable



# 2022 NEW MAJORITY PRIORITIES

## *If history is a guide.....*

### Last “trifecta” during 2013 and 2014 sessions

- \$2.12 billion in tax increases including new individual income tax 4<sup>th</sup> tier of 9.85%, B2B tax, corporate tax increases, cigarette tax increases
- Spending increase of 8% in first biennium and 11% increase in second biennium
- Negotiations:
  - Dayton = \$1.8 billion; Senate = \$1.8 billion; House = \$1.4 billion

**Final agreement = \$2.12B**



# 2022 ELECTIONS – WHAT HAPPENED ELSEWHERE?

## Ohio

- Republican continued control of state senate
- Republicans continued control state house
- Republican Governor Dewine re-elected; all constitutional offices remain republican

## Michigan

- Democrats take full control of state government since 1983
- Democrats won control of House (1<sup>st</sup> time since 2008)
- Democrats won control of Senate (1<sup>st</sup> time since 1984)
- Democrat Governor Widmer re-elected; all constitutional offices remain democrat

# 2022 ELECTIONS – WHAT HAPPENED ELSEWHERE?

## Other notable results:

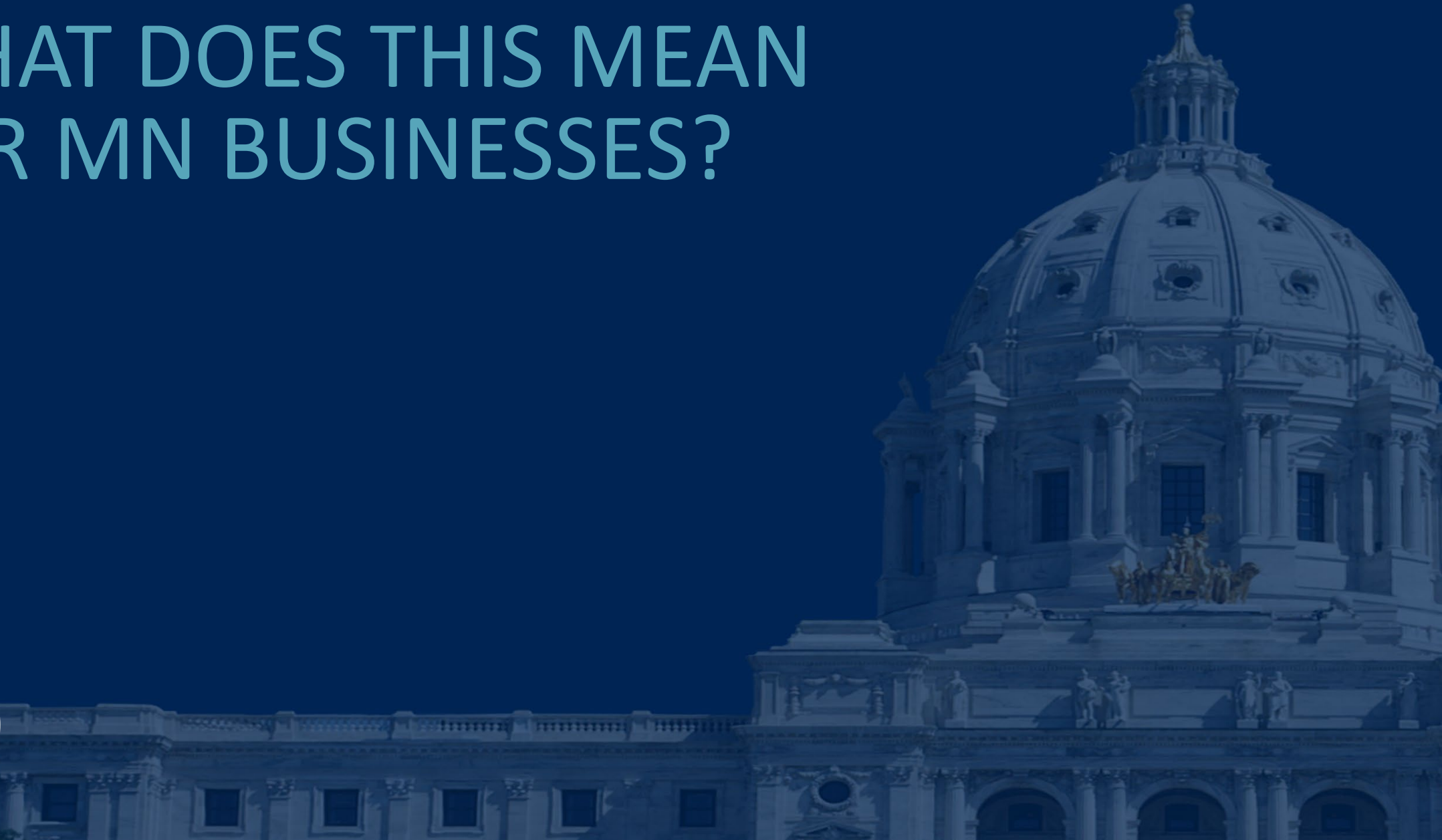
- CA considered 8 ballot initiatives; CO considered 11 ballot initiatives
- 3 states – constitutional right to reproductive freedom (CA, MI, VT)
- 2 states legalized recreational marijuana (MD, MO – now 22 states)
- MA - imposes a new 4% income tax surcharge for those above \$1 million generating roughly \$2 billion per year, mostly earmarked for public schools
- ID – advisory direction to legislature to enact corp and flat income tax, send rebates to taxpayers, dedicate \$400 million to public education

# 2022 ELECTIONS – WHAT HAPPENED ELSEWHERE?

## Other notable results:

- IL – constitutional right to organize and collectively bargain
- TN – constitutional right to work
- NV – increase minimum wage to \$12 by 2024; ranked choice voting
- NE – require photo ID to vote; increase the minimum wage from \$9 - \$15/hour by 2026
- ND – term limits; no on legalizing marijuana

# WHAT DOES THIS MEAN FOR MN BUSINESSES?



## **Minnesota's economy has many strengths:**

- Highly developed economy, diverse base of industries, hard working educated workforce, industry leading companies, high innovation rates, above-average incomes, and abundant natural resources

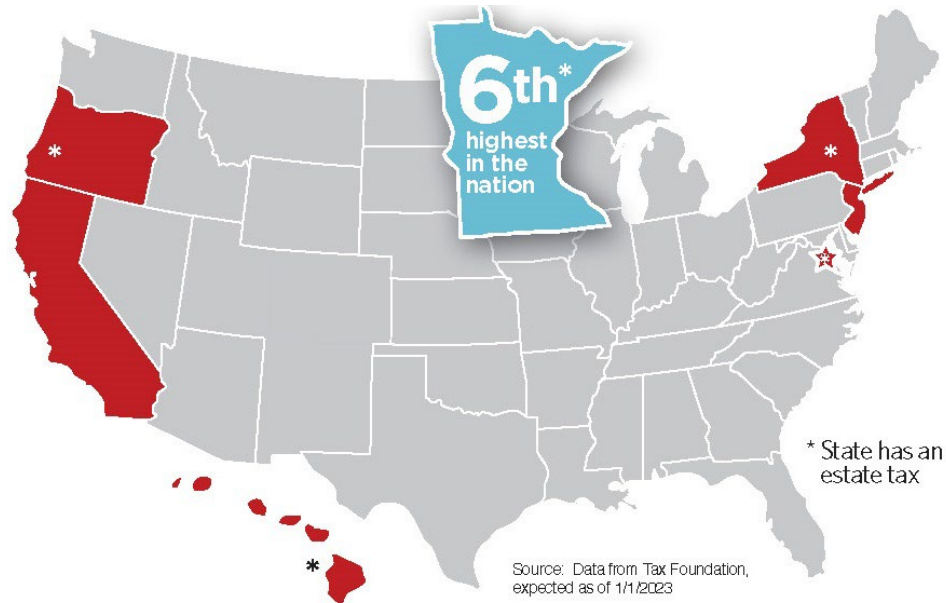
## **Growth in southern and western states is hot – but we're not**

## **Minnesota's economy could be stronger, more vibrant, more competitive with fundamental changes:**

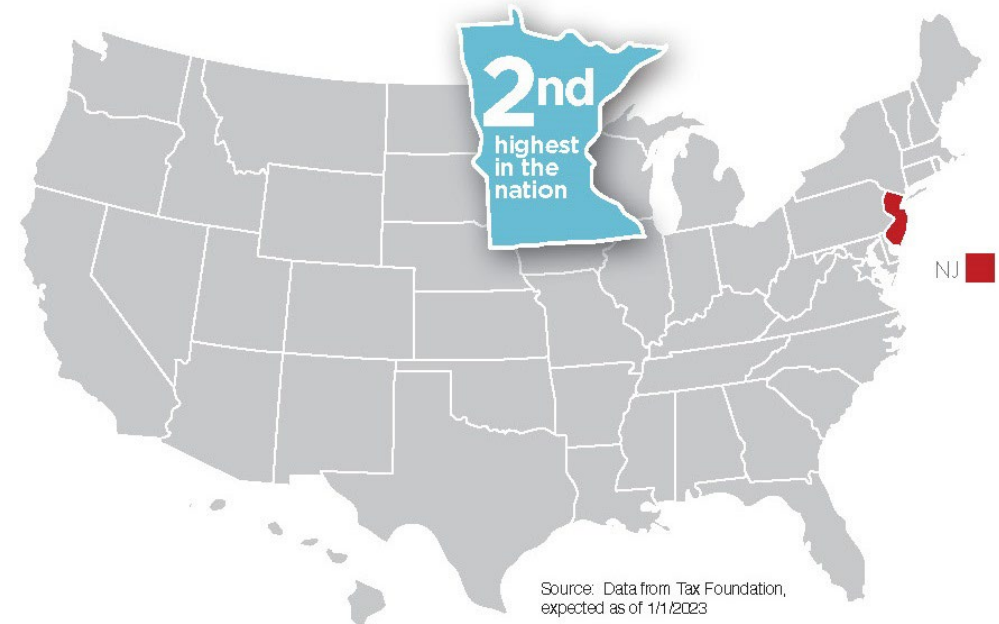
- Structural tax reform
- Meet workforce needs through near and longer term solutions
- Environmental and regulatory reforms
- Make affordability a front and center consideration (childcare, housing, costs of living, costs of doing business here)

## How does Minnesota Compare?

States with individual income tax rates higher than Minnesota



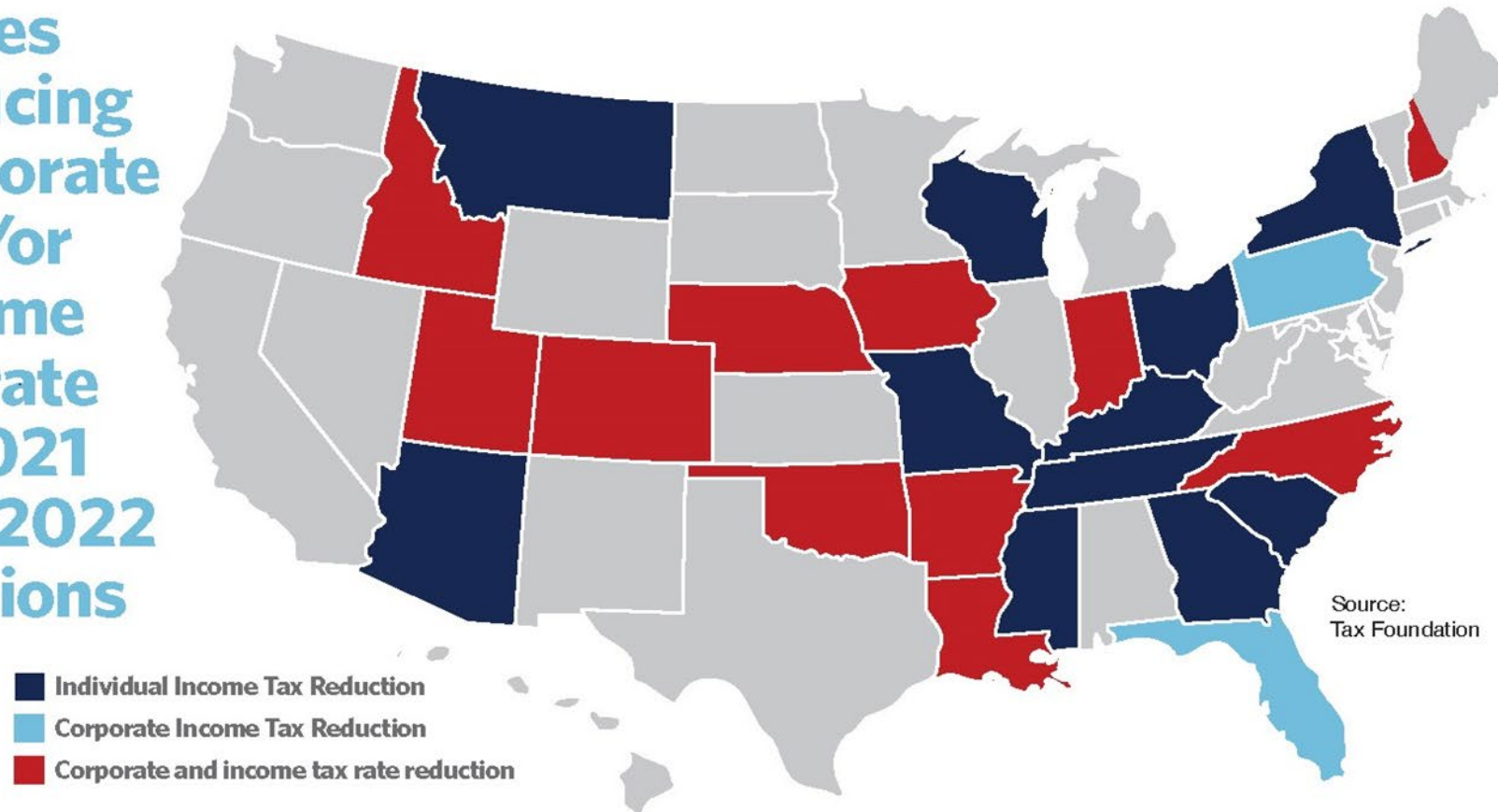
Only one state will have corporate rate higher than Minnesota in 2023





# TAX COMPETITIVENESS

States  
reducing  
corporate  
and/or  
income  
tax rate  
in 2021  
and 2022  
sessions

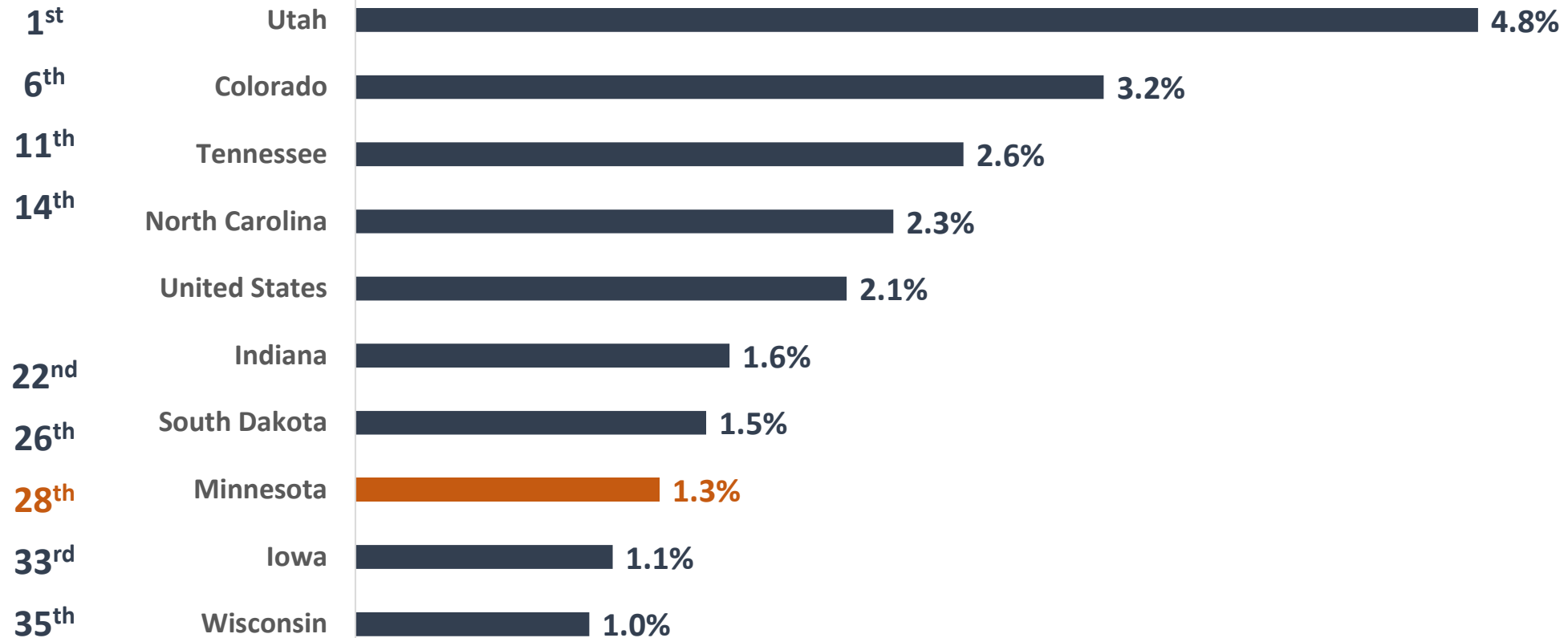


# ECONOMIC INDICATORS

## National GDP Growth

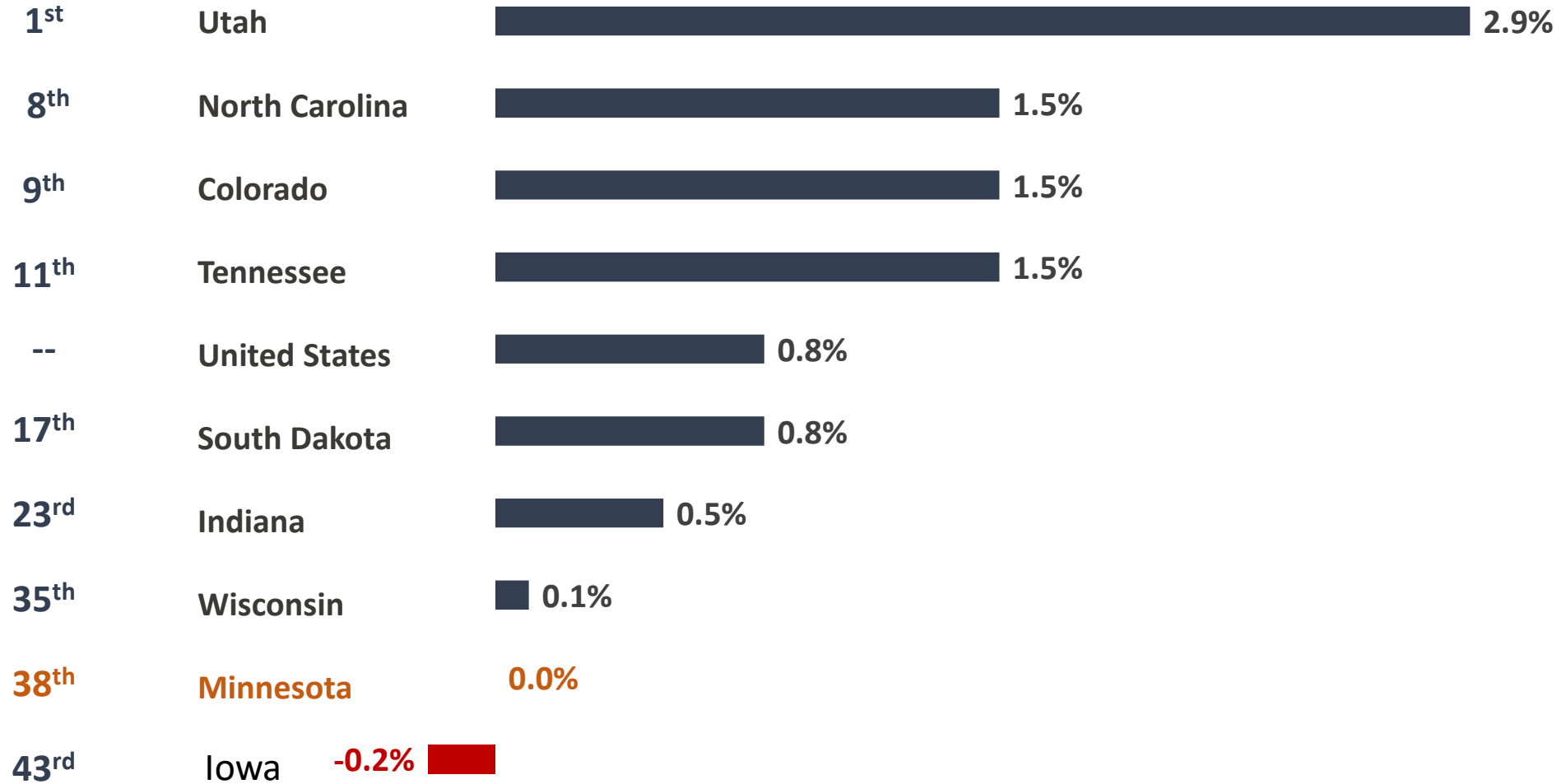
Rank:  
2016-2021

## Real GDP Compound Average Annual Growth Rate: 2016-2021



# ECONOMIC INDICATORS

## Total Employment Compound Average Annual Growth Rate: 2016-2021



## Structural Tax Reform:

### Reduce individual rates – for business and talent attraction and retention

- ✓ 9.85% = 6<sup>th</sup> highest
- ✓ 7.85% rate = 8<sup>th</sup> highest
- ✓ 6.80% rate = 13<sup>th</sup> highest
- ✓ 5.35% rate = 26<sup>th</sup> highest

### How much would it cost??

- 1% rate reduction for all 4 income tax brackets = \$1.4 billion annually
- 1% rate reduction for top rate = \$430 million annually
- Get out of the top ten, or a 6.99% rate = \$1.2 billion annually

## Structural Tax Reform:

### Reduce corporate rate

### How much would it cost??

- ✓ 9.80% - current rate
- ✓ 8.25% rate = \$275 million annually
- ✓ 1% reduction = \$178 million annually

## State economic outlook:

- \$7.049 billion surplus for FY 22/23
- \$2.6 billion in reserves
- \$5 billion surplus for FY 23/24
- \$3.9 billion revenues ahead of projections (September update)

## **State spending continues to grow, but tax relief is considered too expensive**

- FY 24/25 budget revenues will be \$60.6 billion; spending projected at \$54.3 billion general fund and \$101.7 billion all funds
- 5% spending growth already built into the forecast. 10 years ago the FY 14/15 budget general fund was \$39.6 billion and all funds was \$69.5 billion
- Average spending growth for general fund for last 5 budget cycles is 8%.

## Meet workforce needs – near- and long-term strategies

### Near term:

- Accelerate certification and training for key industries, based on data (e.g. CDL's, manufacturing and tech)
- Broaden Minnesota licensing and certification to increase supply (nurse licensure compact; immigrants; 15-18 year old youth employment; construction, manufacturing, child care workforce)
- Automation incentive/credit
- Increase supply of child care providers; reduce regulatory barriers
- Evaluate and audit all workforce spending programs, workforce boards for alignment with needs of economy and direct employer engagement; use performance metrics/ROI



## Meet workforce needs - near and long-term strategies

### Longer term:

- Use Chamber Foundation research to align the state's K-12 and workforce development systems
- Use results of evaluation/audit to reduce duplication of programs; focus workforce boards, resources on highest need, highest ROI programs/initiatives
- Increase career pathways and experiential learning; increase career counselors in middle, high schools
- Improve Minnesota's high school CTE and tech training

## Environmental and regulatory reforms:

Explore a “green tier” model

- WI model that rewards applicants who exceed environmental standards and regulations (e.g. minimize impact on natural resources; replace wetlands; voluntary actions to reduce environmental impacts)
- Reward = single point of contact in regulating agency, expedited review, greater flexibility in meeting permitting requirements, longer run time for permit
- Chamber Foundation pursuing an in-depth comparison of permitting practices across other states and by industry sector
- Also examining the economic impact of lost business location and expansion opportunities

## **Affordability**

- Cost of living & cost of doing business
  - Housing
  - Child care
  - Healthcare
  - Energy
  - Transportation
  - Telecom & Broadband