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Retracing Pawlenty's fiscal legacy

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Debuting a sweeping economic plan in Chicago this month, Tim Pawlenty said he could lead the nation to "a better deal" of prosperity and balanced budgets.

"I know government can cut spending," he said, "because I did it in Minnesota."

Conservatives like former General Electric chief executive Jack Welch publicly embraced his small-government vision of dramatic tax and budget cuts. But a host of economists and liberal critics questioned the former Minnesota governor's scenario of unprecedented economic growth -- and the trillions of dollars in exploding deficits that could result if it doesn't come true.

To Minnesotans on both sides of the political divide, the questions echo Pawlenty's no-new-taxes legacy as governor, written large on the presidential stage.

Even before his closely watched speech at the Chicago School of Business, Pawlenty's past was on display on the campaign trail, starting with the first nationally televised presidential debate in South Carolina last month, when he was asked to explain a projected \$5 billion shortfall on the day he left office.

Pawlenty rejected the figure, arguing it assumed "outrageous" future spending levels that he doesn't support. "This idea that there's a deficit and I left it in Minnesota is not accurate," he said.

But Pawlenty's fiscal record in Minnesota, so central to his quest for the White House, continues to dog him as the 2012 presidential race heats up and DFL Gov. Mark Dayton and the Minnesota Legislature grapple with a multibillion-dollar budget gap.

As an established first-tier candidate for the GOP presidential nomination, Pawlenty hopes to contrast his free-market vision against what he calls President Obama's "central planning" economy.

But Democrats have long argued that Pawlenty's tough fiscal rhetoric on the campaign trail doesn't match the reality in

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Minnesota, where the Republican governor relied on a string of short-term accounting maneuvers to fill budget holes year after year.

"His legacy is the debt that he's placed on everyone coming after him," said state Rep. Tom Rukavina, an Iron Range DFLer.

Meanwhile, the anti-tax coalition that ushered him into the governor's office bashed his 75-cent-per-pack "health impact fee" on cigarettes, which he acknowledged most saw as a tax.

Pawlenty's defenders say he left the state in good fiscal shape considering the long and deep recession, which drained state coffers.

They say the state's current budget gap assumes "autopilot" spending at the hands of a Legislature seemingly unable to come to terms with needed cuts over the next two years.

"We currently live in the last Pawlenty budget. It is balanced," said Brian McClung, Pawlenty's former deputy chief of staff. "This issue of Minnesota having a deficit is going to be erased shortly when the Legislature and the [new] governor do their job and balance the budget."

But that will depend. If the current state budget impasse leads to a government shutdown on July 1, it could also heighten the growing national scrutiny on Pawlenty's legacy as governor and undercut his case as a fiscal conservative willing to tell the American people the truth.

In frequent trips to Iowa and New Hampshire over the past year, Pawlenty has run hard against what he calls a "Ponzi scheme on the Potomac," faulting Obama for the nation's deepening debt, an issue that could be the Republicans' most potent line of attack.

But Democrats contend that Pawlenty ran his own Ponzi-like scheme in Minnesota, employing short-term budget band-aids that put the state's books in technical balance. Among them: accelerating tax payments, delaying spending, using \$1 billion from the tobacco settlement, relying on federal stimulus dollars and borrowing more than \$1.9 billion from K-12 schools, much of which must be paid back.

Rukavina likens Pawlenty's budget shifts to "Enron accounting practices," with the upshot being a lower bond rating from Moody's Investors Service and other credit-rating agencies.

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Pawlenty's camp says there was nothing untoward or unusual about his budget fixes. "Lots of governors who faced economic downturns have used creative ways to get through it," said former Pawlenty chief of staff Charlie Weaver, now executive director of the Minnesota Business Partnership. "Over eight years, he fought through a tough national economy and did a remarkable job without raising taxes."

Pawlenty's critics maintain that Minnesota taxpayers still paid a price -- in higher property taxes levied by cities and counties struggling against reduced state aid.

"He presided over one of the larger tax increases in Minnesota's history," said former Republican Gov. Arne Carlson, who initially supported Pawlenty but has largely fallen out with the state GOP establishment throughout Pawlenty's eight years in office.

'Live withi our means'

On the stump, Pawlenty argues that he taught state government to "live within our means" without raising income taxes. He can show the scars to prove it: Dozens of vetoes, an unpopular bus strike and the 2005 government shutdown, the first in state history.

He often talks about cutting state government spending in real terms in 2009 for the first time in Minnesota's 150-year history, a feat that helped him win an "A" in the conservative Cato Institute's fiscal policy report card.

In his campaign autobiography, "Courage to Stand," Pawlenty also boasts: "I lowered the average growth of annual spending during my time as governor to just under 2 percent and balanced the budget without raising taxes."

Pawlenty detractors scoff at his preference for comparing a single-year average to a two-year historical average of 21 percent, which exaggerates his budget cutting. His allies say the point remains the same: He cut spending dramatically.

But Obama partisans, watching Pawlenty establish himself as potential general election opponent in 2012, prefer to dwell on the state deficit projections, the fourth-highest in the nation as a percentage of the general fund -- and what Dayton termed a "horrible fiscal mess."

On top of the accounting shifts that helped Pawlenty keep his budgets in the black, Democrats point to the irony that Pawlenty

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used more than \$2 billion in federal stimulus dollars, one-time money that he opposed, but which his aides say no governor could realistically turn away.

If this is not the fiscal nirvana Pawlenty describes on the stump, his backers blame state DFL leaders, who fought his spending cuts in the Minnesota Legislature and, ultimately, in the courts. A state Supreme Court ruling restored \$2.7 billion he had cut unilaterally in 2009.

"I don't want to say he's absolved of not balancing the budget in the out years," said former state legislator Phil Krinkie, now president of the Taxpayers League of Minnesota. "But if you look at the fights he went through just to get where he was, it was a knock-down, drag-out battle."

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