

STATE OF MINNESOTA

Office of Governor Tim Pawlenty

130 State Capitol ♦ 75 Rev. Dr. Martin Luther King Jr. Boulevard ♦ Saint Paul, MN 55155

May 18, 2008

The Honorable Margaret Anderson Kelliher
Speaker of the House of Representatives
463 State Office Building
Saint Paul, Minnesota 55155

Dear Speaker Anderson Kelliher:

I have vetoed and am returning House File 1875, Chapter 346, a bill that creates a statewide school employee health insurance pool.

This bill is similar to the statewide teacher health pool bill I vetoed last year except that, under this bill, the pool would operate as a fully insured pool rather than a self-insured pool. Although this change resolves some of the solvency and regulation related concerns I raised last year, many of the other concerns outlined in my prior veto message have not been addressed. In addition, the structure of the fully insured health insurance pool under this bill raises several new areas of concern.

The structure of the proposed school employee health insurance pool was fundamentally changed late in the legislative session. Thus, the impacts and costs to school districts associated with this new structure were not fully vetted during regular committee hearings. These impacts may be significant and need to be fully understood.

Indeed, some cost estimates suggest that mandating school districts to purchase insurance through this fully insured pool could increase costs to school districts by as much as \$110 million per year. Questions have also been raised about the impact of requiring school districts that are self-insured to purchase into the fully insured health insurance pool and the impact this could have on administrative costs. Given the magnitude of the changes to the proposed health insurance pool, further study and discussion is needed to understand the full impacts and costs created by this bill. It does not make sense for the state to mandate that

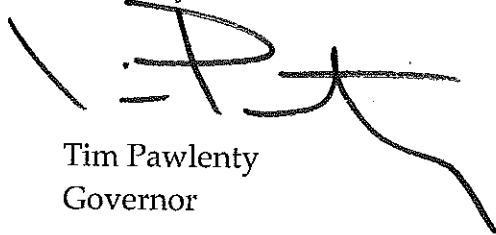
school districts obtain health insurance from a health insurance pool if participating school districts do not achieve significant savings.

This bill also permits \$4 million to be spent out of the state budget reserve. This spending is outside of the budget agreement reached between my office and the House and Senate leaders. I am not willing to support additional spending from the state budget reserves that is not included in the global agreement reached with legislative leaders.

I also question the need for this \$4 million in new spending. In past versions of this bill, the funding was for the establishment of a self-insured health insurance pool. Because this bill would create a fully insured pool, the initial reason supporting the spending may no longer exist.

For these reasons, I have vetoed H.F. 1875.

Sincerely,

A handwritten signature in black ink, appearing to be 'Tim Pawlenty', written over a horizontal line. The signature is stylized with a large initial 'T' and a long, sweeping tail.

Tim Pawlenty
Governor

Cc: Senator James Metzen, President of the Senate
Senator Lawrence J. Pogemiller, Majority Leader
Senator David Senjem, Minority Leader
Senator Don Betzold
Representative Marty Seifert, Minority Leader
Representative Thomas Huntley
Mr. Patrick E. Flahaven, Secretary of the Senate
Mr. Al Mathiowetz, Chief Clerk of the House of Representatives
Mr. Mark Ritchie, Secretary of State